2003 – 05
Biennial Budget Request

Department of Workforce Development

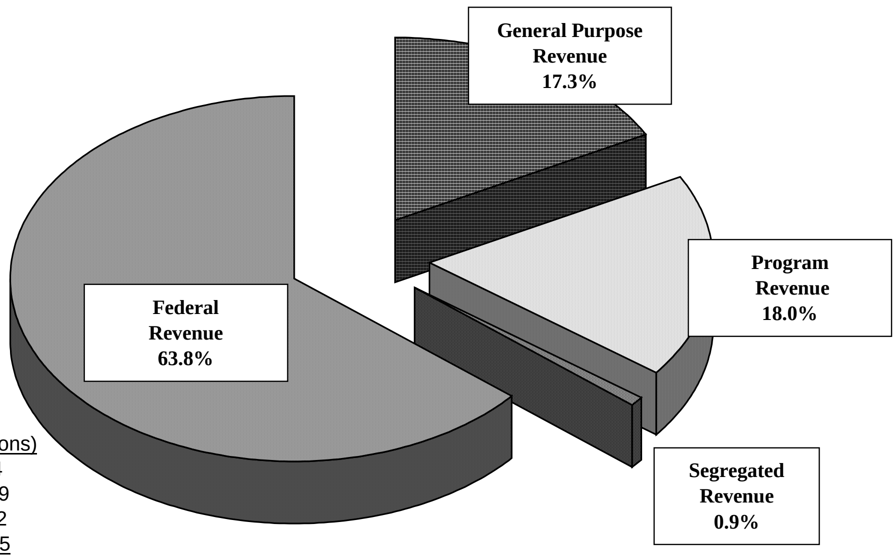
November 2002

This document summarizes the 2003 – 05 Biennial Budget Request submitted by the Department of Workforce Development. It is comprised of two different sections. The first reviews the request through a series of graphs showing funding by source, by category (state operations or aids), and by division. These charts are found on pages 4 through 6.

The second section provides the narrative description for all requested decision items. These narrative descriptions are usually one or two paragraphs explaining the request. If an issue paper was prepared for a decision item, then that document has also been included in this summary. But not all decision items required an issue paper. The table below (and continued on the next page) is a quick index of decision items by division.

Section 1: Budget Request Summary Charts

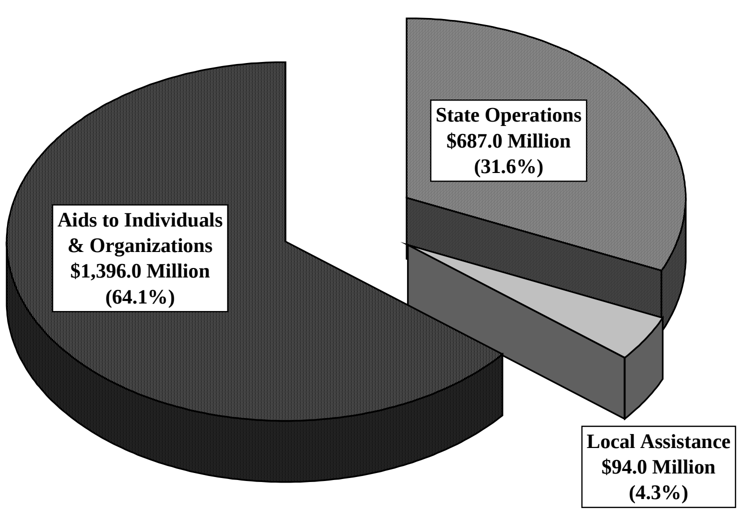
DWD 2003 - 2005 Biennial Budget
Agency Request By Fund Source
Total $2.18 Billion



Fund Source (millions)

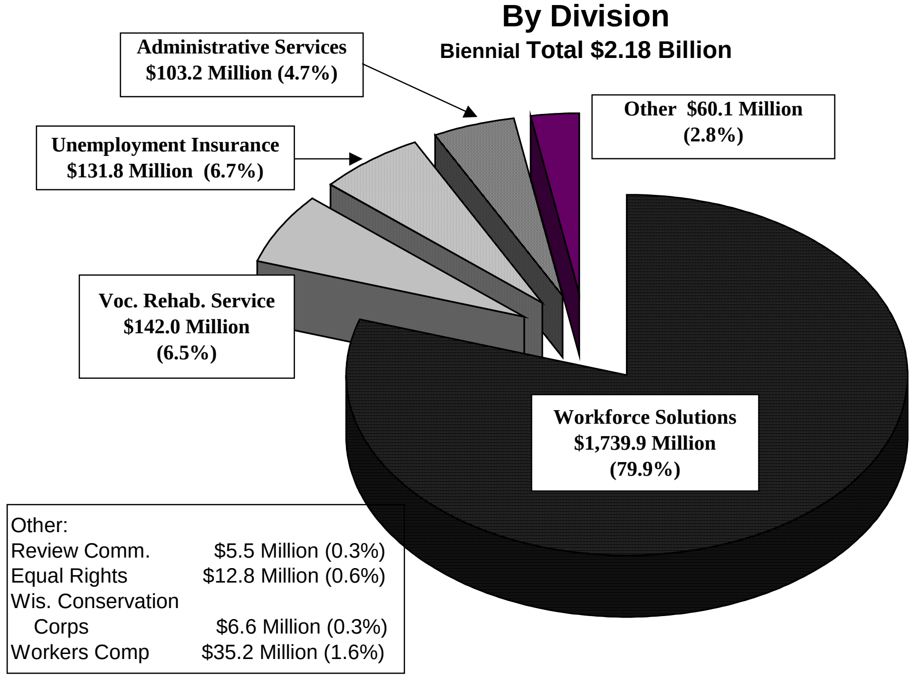
GPR	$ 377.4
PR	391.9
SEG	19.2
FED	1,388.5
	$2,177.0

DWD 2003 - 2005 Biennial Budget
Agency Request
By Expenditure Category -- All Funds
$2.18 Billion



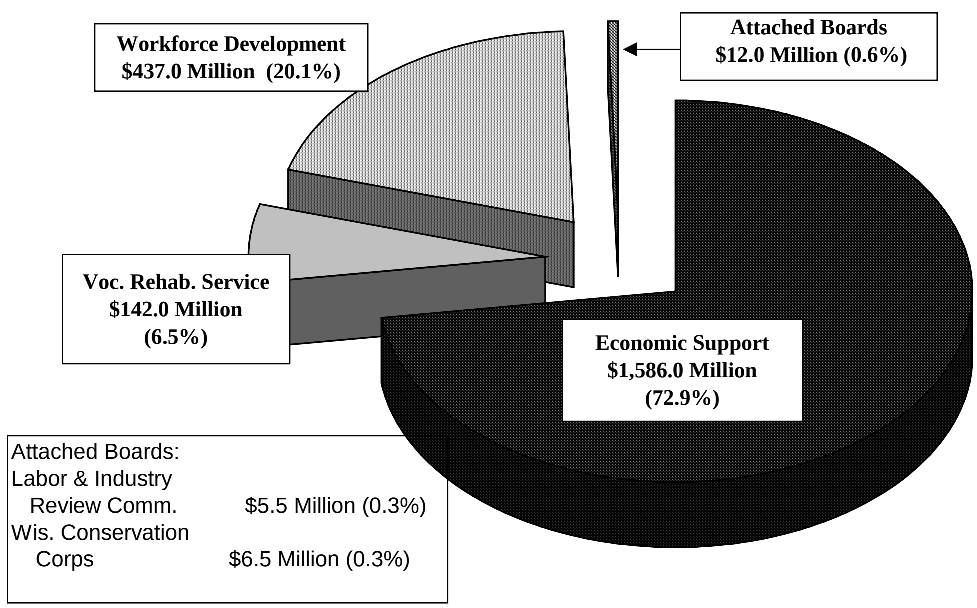
DWD 2003 - 2005 Biennial Budget Agency Request By Division

Biennial Total $2.18 Billion

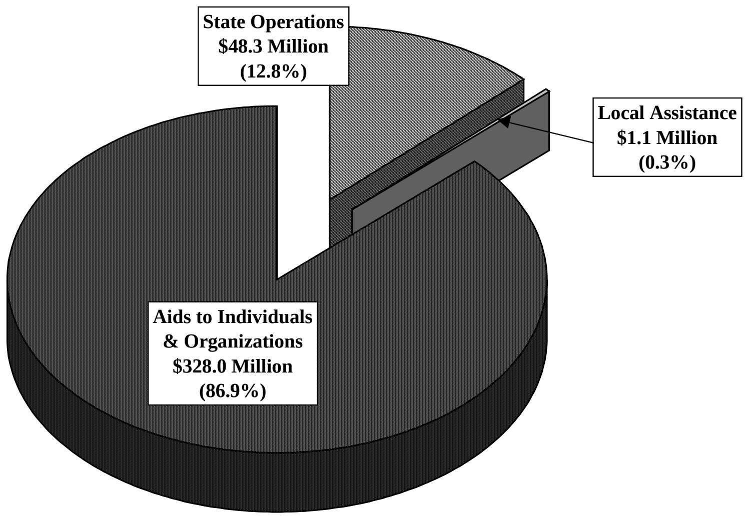


DWD 2003 - 2005 Biennial Budget Agency Request By Program

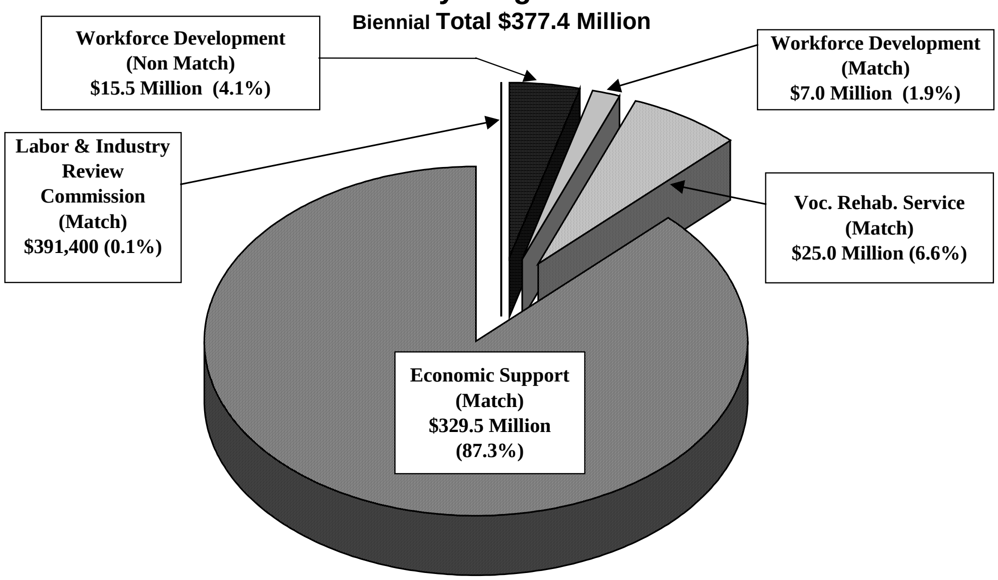
Biennial Total $2.18 Billion



DWD 2003 - 2005 Biennial Budget
Agency Request
By Expenditure Category -- GPR Only
$377.4 Million



DWD 2003 - 2005 Biennial Budget
Agency Request -- GPR Only
By Program
Biennial Total $377.4 Million



Section 2: Budgetary Decision Items by Division

DIVISION OF EQUAL RIGHTS:

No decision items beyond the "standard budget adjustment" and program/federal revenue re-estimate items, which have no dins, were submitted for the Division of Equal Rights.

DIVISION OF WORKERS COMPENSATION:

DIN 5201 Narrative: WC Safety Program

The department requests $216,900 PR in FY04 and $216,900 PR in FY05 to support the reallocation of a vacant clerical position to a higher level safety specialist position in the Worker's Compensation Division and the funding for a program to improve workplace safety in the State of Wisconsin. In addition, the department requests an increase in funding to pay for the increased costs of the Worker's Compensation accident safety investigation agreement (MOU) with the Department of Commerce.

The safety specialist position will not cause an increase in position authority, but will require a modest increase in salary and fringe benefits to fund the position at its new higher level. The Workplace Safety program will utilize a safety specialist to provide leadership to the Workplace Safety program. The safety specialist/program will promote safety through conferences, development of a safety web site, conducting educational initiatives, and, provide safety expertise to the division's special programs, including safety investigations and safety plan review for Wrap-up Projects and Uninsured Employers.

The concept and support for a Worker's Compensation Division safety program evolved from the meetings/discussions the division has had with the Council on Worker's Compensation. When employees are out of work because of a work related injury it is a loss to the economy and a cost to the insurance industry. The average worker's compensation cost per injury resulting in even days or more of lost time (paid by insurance companies and self-insured employers) is approximately $24,000 ($8,000 for loss of time from work and $16,000 for medical expenses). If the program prevents 10 injuries per year from occurring, the program will pay for itself.

DIN 5201 Issue Paper: WC Safety Program

I. Request/Objective

The Department requests an increase in salary and fringe benefits to support the reallocation of a vacant clerical position to a higher level safety specialist position in the Worker's Compensation Division and the needed supplies and services to improve workplace safety in the State of Wisconsin. In addition, the department requests an increase in funding to pay for the increased costs of the Worker's Compensation accident safety investigation agreement (MOU) with the Department of Commerce.

The safety specialist position will not cause an increase in position authority, only a modest increase in salary and fringe benefits to fund the position at its new higher level. The Workplace Safety program will utilize a safety specialist to provide leadership to the Workplace Safety program. The safety specialist/program will promote safety through conferences, development of a safety web site, conducting educational initiatives, and, provide safety expertise to the division's special programs, including safety investigations and safety plan review for Wrap-up Projects and Uninsured Employers. The concept and support for a Worker's Compensation Division safety program evolved from the meetings/discussions the division has had with the Council on Worker's Compensation.

When employees are out of work because of a work related injury it is a loss to the economy and a cost to the insurance industry. The average worker's compensation cost per injury resulting in seven days or more of lost time (paid by insurance companies and self-insured employers) is approximately $24,000 ($8,000 for loss of time from work and $16,000 for medial expenses). If the program prevents 10 injuries per year from occurring, the program will pay for itself.

An administrative cost assessment, issued annually by the Worker's Compensation Division in accordance with s.102.75 to all insurance carriers and self-insured employers conducting business in Wisconsin, provides the revenues needed to fund the department's fiscal year costs of administering the worker's compensation program.

II. Background

<u>Workplace Safety Program</u> Many small and medium sized employers have unnecessarily high numbers of work-related accidents and illnesses. These higher rates of injury lead to the loss of valuable employees and increased worker's compensation insurance premiums. Individual employers are reluctant to seek help from government, since most government agencies are involved in law and code enforcement and not safety education. Insurance carriers are not providing sufficient assistance to the small or medium sized employer, because they are unable to directly relate their investment in loss control programs to the premiums collected. Business support groups often do not have the expertise or time to resolve safety problems within their own industry. Safety education programs directed at employers do not always filter down to companies that could benefit the most from this information. There appear to be too few catalysts to provide safety education to employers who have poor safety records.

The WC division can be of assistance to employers to maintain a safe workplace. The division has a comprehensive injury/illness database that can identify types of industries and specific employers that have higher than average numbers of accidents. The division can educate insurers and employers regarding the importance of workplace safety through an expanded outreach program. The division can stimulate greater participation by insurance carriers and business support groups in the provision of loss control services to employers.

The WC division has the database to identify industry groups and individual employers that have safety problems. Employers are required by law to report to the division all work related illnesses and injuries involving more than three days of lost time. These injury/illness reports contain a wealth of information about the injured employee and the nature and cause of the injury/illness. Information about the employer, type of business, location and date of the incident is also reported. Since much of this information is public record, it can be made available to insurance carriers, consultants and employers to assist in measuring the affects of loss control programs. The division needs to do a better job in the area of workplace safety.

The department seeks to establish a Workplace Safety Program within the Worker's Compensation Division (WC) that would:

- Identify industry groups and employers that have a high rate of occupational safety and illness related problems, and target these groups to receive help from Workplace Safety Program.
- Sponsor and participate in safety seminars and conferences on safety education and demonstrate the cost effectiveness of loss control programs in reducing worker's compensation insurance cost.
- Stimulate more involvement by insurance carriers and business support groups to provide loss control assistance to employers.
- Provide safety education and information that can be published in employer and insurance group newsletters and in other media forms.

The Worker's Compensation Division is in the process of reallocating a vacant clerical position (1.00 FTE, Appropriation 129) to a new safety specialist classification (1.00 FTE, Appropriation 129). The new safety position will provide leadership and coordination to a Workplace Safety program. Since the development and identification of the new classification with the Department of Employment Relations is still in its preliminary stage, the salary and fringe benefit dollars of the new higher paid position will not be included in the standard 03-05 Biennial Budget funding process for salary and fringe benefits. The department, therefore, has a need for increased salary and fringe benefit dollars to fund the higher paid safety specialist position during FY04 and FY05.

The Worker's Compensation Division (WC) has periodically provided some brochure information on workplace safety. It has also done some things to help promote safety in the workplace, including teaming with the Wisconsin Manufacturers and Commerce Association to champion safety, and, publication of a Worker's Compensation Safety Calendar (WC's share of the Wisconsin Corporate Safety Award). However, the staff time and supplies and services resources have not been sufficient to develop and promote workplace safety on a consistent, permanent basis. The cost to develop, promote and maintain a Workplace Safety program is estimated to be $80,000 annually in supplies and services. WC cannot fund a permanent Workplace Safety program within its current Appropriation 129 expenditure authority level without a reduction in program services.

WC division can assist employers in maintaining a safe workplace. The division has a comprehensive injury and illness database that can identify types of industries and specific employers with higher than average numbers of accidents. The division can educate employers regarding the importance of workplace safety through an expanded outreach program. The division in conjunction with the Office of the Commissioner of Insurance can stimulate greater participation of insurance carriers in the provision of loss control services to employers in the assigned risk pool.

WC plans to expand its outreach efforts by sponsoring and participating in safety seminars and conferences to inform employers of the importance of loss control programs. Injury and illness data maintained by the division will be used to prepare safety publications and will be disseminated in safety conferences and seminars. The division needs to educate employers about how work related injuries and illnesses can affect their worker's compensation insurance costs.

The WC division also plans to improve networking to promote workplace safety. The division feels it is imperative to communicate with representatives of organizations that can have an impact on making work places safe. The Worker's Compensation Division intends to work with these and other agencies that support safety in the work place, such as the Division of Safety and Buildings, the Department of Health and Social Services, the Occupational Safety and Health Administration. Other states have mandated that insurance carriers and business support organizations provide loss control services to employers. Although this approach has not been used in Wisconsin, research should be conducted to determine if it merits consideration as a change in Wisconsin's worker's compensation laws.

The WC division has stated in its strategic plan its intent to actively stimulate insurance carriers and business support organizations to provide employers greater assistance with their loss control programs. The division will work more closely with the Wisconsin Manufacturers and Commerce Association, the Wisconsin Insurance Alliance and the Wisconsin Safety Council to sponsor and/or participate in safety education programs.

<u>MOU Agreement Increase</u>

During February 2002, the department entered into a new accident investigation agreement (MOU) with the Department of Commerce (DOC) whereby the Safety and Buildings Division will conduct safety investigations of workplace accident reports referred by the Worker's Compensation Division. The total annual cost of these investigations cannot exceed $156,000. In the past the Department of Commerce had provided safety investigation services to WC where the overall cost could not exceed $89,800 annually. The net annual cost increase over the previous MOU amount is $66,200 ($156,000 less $89,800). The agreement with the Department of Commerce had not been renegotiated for several years. The increase is due to inflation and increasing costs for DOC staff. Safety investigations are conducted for accidents involving fatalities, amputations, and multiple injuries. Compensation and death benefits may be increased by 15% (to a maximum of $15,000) if an employer failed to reasonably enforce employees to comply with safety statutes. The same benefits may be decreased by 15% if the employee failed to use safety devices or obey safety rules in accordance with any statute or lawful order of the department. The department is in need of a permanent increase in supplies and services of $66,200 annually in Appropriation 129 to cover the MOU increase.

III. Analysis

Workplace Safety Program As indicated above, the reallocated, new safety position will not be included in the standard 03-05 Biennial Budget funding process for salary and fringe benefits. To obtain full funding of the higher paid position during FY04 and FY05, the department requests the difference in salary and fringe benefits between the vacant clerical position and the new Safety Specialist position. The vacant clerical position is classed at the Program Assistant-1 level. The salary and fringe benefits associated with the vacant position totals $28,600 (salary = $21,000 and fringe benefits = $7,600). The classification level of the Safety Specialist position will be classed at a much higher classification level and will involve a salary of $72,800 ($35.00/hour X 2080 hours) and fringe benefits of $26,500 ($72,800 X .3646). The salary and fringe benefits for the new Safety Specialist position will total $99,300 in each year of the 03-05 Biennium. The difference in salary and fringe benefits between the clerical position and the Safety Specialist position is $70,700 ($99,300 - $28,600), $51,800 in salary and $18,900 in fringe benefits.

An hourly rate of $35.00/hour is being used in the salary calculations for the new Safety Specialist position. An hourly rate of approximately $35.00/hour will be required to attract to the Safety position a higher level professional candidate that possesses the credentials and qualifications of the Safety Specialist classification. The specialist will be required to have a thorough knowledge of loss control, health, safety, and risk management practices, procedures, techniques, standards and codes as it relates to the identification and control of work hazards. He/she will also need to be knowledgeable of state and federal regulations and standards related to loss control, safety and risk management such as DWD, OSHA, worker's compensation laws and hazardous duties standards (s.230.36). The department is in need of an increase in salary and fringe benefits for the new Safety position to insure that WC does not experience pressure on the salary and fringe benefit lines during FY04 and FY05.

The supplies and services costs to develop, promote and maintain a Workplace Safety program are estimated to be $80,000 annually. Costs involved are as follows:

• Safety WebSite Maintenance and Upgrades	$10,000
• Printing Safety Calendars and Other Promotional Materials	$25,000
• Calendar Design	$10,000
• Conferences and Educational Events	$10,000
• General Marketing of Safety Initiatives	$20,000
• Safety Week Speakers	$ 5,000

The concept and support for a Worker's Compensation Division safety program evolved from the meetings/discussions the division has had with the Council on Worker's Compensation. When employees are out of work because of a work related injury it is a loss to the economy and a cost to the insurance industry. The average worker's compensation cost per injury resulting in seven days or more of lost time (paid by insurance companies and self-insured employers) is approximately $24,000 ($8,000 for loss of time from work and $16,000 for medial expenses). If the program prevents 10 injuries per year from occurring, the program will pay for itself.

WC cannot fund a permanent Workplace Safety program within its current Appropriation 129 expenditure authority level without a reduction in program services and/or a reduction in its Information Technology service levels. Most of WC's programs are enforcement related and monitor compliance with the WC law. It would be difficult to cut any of these programs. One of the few items the division has control over is technology programming services and upgrades to systems and computer programs. However, to reduce computer programming services/system upgrades would be detrimental to customer service and staff productivity. WC and its customers, including insurance carriers and self-insured employers, are dependent on the division's computer systems, many of which are now interactive web based systems. These systems all require maintenance and upgrade to insure that the WC information is available to its outside users. An annual increase of $80,000 in supplies and services in Appropriation 129 is needed to support the activities of the Safety Specialist position (a reallocated position) and the funding necessary to establish a full functioning, permanent Workplace Safety Program.

Many small and medium sized employers have unnecessarily high numbers of work-related accidents and illnesses. These higher rates of injury lead to the loss of valuable employees and increased worker's compensation insurance premiums. Individual employers are reluctant to seek help from government, since most government agencies are involved in law and code enforcement and not safety education. Insurance carriers are not providing sufficient assistance to the small or medium sized employer, because they are unable to directly relate their investment in loss control programs to the premiums collected. Business support groups often do not have the expertise or time to resolve safety problems within their own industry. Safety education programs directed at employers do not always filter down to companies that could benefit the most from this information. There are to too few catalysts to provide safety education to employers who have poor safety records.

MOU Agreement Increase As described in the background section of this document, the Worker's Compensation Division's MOU agreement with the Department of Commerce has increased from a maximum annual cost of $89,800 to a maximum of $156,000 annually (a $66,200 increase). An increase in expenditure authority in Appropriation 129, WC PRO, is needed to keep the supplies and services line of the appropriation in line with current expenditures. The division cannot absorb the increased cost. Safety investigations are necessary since the outcomes of the investigations affect employers, insurance companies and individual claimants. Safety investigations are conducted for accidents involving fatalities, amputations and multiple injuries. Compensation and death benefits may be increased by 15% (to a maximum of $15,000) if an employer failed to reasonably enforce employees to comply with safety statutes (s.102.57**)**. The same benefits may be decreased by 15% if the employee failed to use safety devices or obey safety rules in accordance with any statute or lawful order of the department (s.102.58). The agreement with the Department of Commerce (DOC) had not been renegotiated for several years. The increase is due to inflation and increasing costs for DOC staff. On average the Safety and Buildings Division of the Department of Commerce conducts approximately 100 safety investigations annually per referrals from the Worker's Compensation Division.

Was consideration given to contract with an outside vendor for the investigation work or to conduct the work in-house? When the original MOU was established, consideration was given to other, private contracting sources, but it was felt that having a state agency conduct the investigations provides a level of authority that is necessary to encourage employers to comply with safety standards. A review was also made of the possibility of creating an investigations unit within the Worker's Compensation Division. This option was not pursued because it would be a duplication of existing resources with the Department of Commerce, and it would diminish the "arms length" relationship between the investigator (DOC) and the adjudicator (WCD), i.e., a conflict of interest if both investigation and adjudication were in the Workers Compensation Division.

IV. Statutory Language

None

V. Internal and External Impact

Internally If approved, this request will give the department and the WC division the resources necessary to conduct a coordinated workplace safety program with elements that, in the past, have either been non-existent or poorly implemented with hit or miss results. It will also provide the division with the increased resources to fully fund its MOU agreement with the Division of Safety and Buildings within the Department of Commerce.

Externally Partner safety program, employers and employees will have a resources to turn to on safety related issues, that will provide information and assistance in developing safe work environments. Reductions in workplace injuries and enhanced responsiveness to safety issues will result. All stakeholders, employers, insurance companies and individual claimants, will benefit from a permanent and fully funded Workplace Safety program.

The concept and support for a Worker's Compensation Division safety program evolved from the meetings/discussion the division has had with the Council on Worker's Compensation. When employees are out of work because of a work related injury it is a loss to the economy and a cost to the insurance industry. The average worker's compensation cost per injury resulting in seven days or more of lost time (paid by insurance companies and self-insured employers) is approximately $24,000 ($8,000 for loss of time from work and $16,000 for medial expenses). If the program prevents 10 injuries per year from occurring, the program will pay for itself.

FISCAL SUMMARY

		2003-04	2004-05
TOTAL COST		$216,900	$216,900
X	Ongoing	$216,900	$216,900
	One-time financing	$0	$0
Positions		0.00	0.00

DIN 5202 Narrative: Court Reporter Services

The department requests $77,900 PR in FY04 and $82,900 PR in FY05 to fund court reporter services needs in the Worker's Compensation Division (WCD). The increases are the result of increasing costs over the last several years (FY97 through FY05 – nine years) and the reliance upon out-side private court reporters when holding hearings at various regional sites throughout the State of Wisconsin.

Wisconsin Statute 102.15(3) requires WCD to use stenographic court reporters for hearings, except that in the case of an emergency, as determined by the examiner conducting the hearing, testimony may be recorded by a recording device. The Council on Worker's Compensation, the Worker's Compensation Division, and the associated attorneys (for insurance companies, self-insured employers and claimants), agree that court reporters, rather than a recording device, should be used to record hearings because of the complexity of worker's compensation cases and the amounts of money being litigated.

As a result, the Worker's Compensation Division uses private court reporters to record hearings at most of its regional sites throughout the state. The division 's current court reporting staff is not adequate to handle the caseload level in its out lying areas. The department spent approximately $155,500 for private court reporter services during FY02. $155,500 would fund two permanent stenographic reporter-1 positions to help fulfill the court reporter needs at the WC division regional sites. However, the division regularly contracts five to six private court reporters for regional hearings each week. There would still be three to four locations each week left to contract out at a cost of $90,000 to $100,000 annually. The most efficient way to cover the out lying hearing sites is with private court reporters funded through the division's supplies and services budget.

DIN 5202 Issue Paper: Court Reporter Services

I. Request/Objective

The department requests increased expenditure authority in the program revenue (PR) appropriation to fund court reporter services needs in the Worker's Compensation Division (WC). The requested increases are the result of increasing costs and reliance upon out-side, private court reporters when holding formal worker's compensation hearings at various regional sites throughout the state.

An administrative cost assessment, issued annually by the Worker's Compensation Division to all insurance carriers and self-insured employers in Wisconsin, provides the revenues needed to fund the department's costs of administering WC programs. The Council on Worker's

Compensation (CWC) supports the requested funding to cover the increased costs associated with private court reporter service needs.

II. Background

The Worker's Compensation Division conducts formal hearings throughout the state for worker's compensation claimants and uses stenographic court reporters to record the proceedings. The Division has stenographic court reporters on staff, (four in Madison, three in Milwaukee and one in Appleton). However, this staffing level is not adequate to cover the scheduled hearings at various regional sites throughout the state. As a result, the division uses private court reporters selected from the state procurement bulletin to staff hearings held at the regional state sites. The cost of using private court reporters has been increasing. Following is a chart showing the annual cost of private court reporter services from FY96 through FY02.

Annual WCD Expenditures for Private Court Reporter Services

Year	Expenditure	Increase From Prior Year
1996	$87,600.00	
1997	$94,300.00	$6,700.00
1998	$112,400.00	$18,100.00
1999	$117,300.00	$4,900.00
2000	$144,800.00	$27,500.00
2001	$150,000.00	$5,200.00
2002	$155,500.00	$5,500.00
	Total Increase =	$67,900.00

Per the chart above the Worker's Compensation Division's cost for private court reporters has increased by $67,900 during the FY96 through FY02 period. The department anticipates the cost of private court reporter services to continue to increase each year by $5,000 during the next three years (July 1, 2002 through June 30, 2005). Overall, the total increase for the nine year period (FY1996 through FY2005) is estimated to be at a minimum $82,900.

The division has been funding the increased cost for private court reporter services out of its Appropriation 129 (WC PRO) supplies and services line. However, the increasing cost of court reporter services is placing a burden on other supplies and services items such as the purchase of information technology services, and therefore, it has become a financial issue.

III. Analysis

As indicated in the background information above, the Worker's Compensation court reporter service needs and costs have continued to increase and it is placing a burden (creating a shortfall) on the WC division's supplies and services line. From FY1996 through FY2002 the cost of private court reporter services has increased by $67,900. The department anticipates the cost of private court reporter services to continue to increase each year by $5,000 during the next three years (July 1, 2002 through June 30, 2005). The assumption that court reporter services expenditures will increase by $5,000 annually is a conservative estimate based on the annual increases reflected in the chart above. Also, two additional administrative law judges were added as staff during FY02, which will result in more hearings being scheduled throughout the state. Overall, the total increase for the nine year period (FY1996 through FY2005) is estimated to be at a minimum $82,900.

What has caused the increase in the cost of private court reporters? In general, inflation and annual salary increases for private court reporters has influenced the cost of retaining private court reporters to record WC hearing proceedings.

The number of WC applications received for a hearing on an annual basis since 1996 has continued to increase the number of litigated claims. Each claim that is scheduled for hearing requires a court reporter to be scheduled (whether staff or private) and, therefore, increases the number of court reporters needed. The number of applications received for a hearing since 1996 is as follows:

Applications for a Hearing (Calendar Year)

Year	1996	1997	1998	1999	2000	2001	2002
# Appl	6613	6620	7249	6879	6701	6935	*3647

* Represents the first six months of calendar year 2002.

Another reason for increases in the court reporter costs is that in instances where a scheduled hearing is cancelled (approximately **60%** of scheduled hearings are cancelled), the department must still pay the private court reporter if notification of cancellation is not within Department of Administration (DOA) contract bulletin requirements. Many hearing cancellations are due to the parties settling the dispute “on the courthouse steps” before the hearing begins. Thus, the WC Division is required to pay the private court reporter even though no hearing is held.

Another cause for the increase is the fact only court reporters on the DOA contract bulletin can be used for hearings. Many court reporters throughout the state that WC used in the past, who are less expensive and do a good job, did not go through the process to get on the state contract list for court reporters. If none of the court reporters on the contract bulletin accept the hearing assignment, then WC can contact the private court reporters that are not on the DOA list.

The Worker’s Compensation Division has eight (8) court reporters. Four (4) are in Madison, three (3) are in Milwaukee and one (1) is in Appleton. The Madison court reporters travel around the state for hearings. This is necessary because we cannot get contract court reporters to cover hearings at some locations. The Milwaukee court reporters do not usually travel out of the office because of the high volume of hearings in Milwaukee. However, WC sometimes will have a Milwaukee court reporter cover a nearby hearing location in an emergency when there is no one else available. In Appleton, the lone court reporter does not go to hearings out of the office area because the individual has other duties and responsibilities that consume her time.

Should the department consider a request to add more staff court reporters to its current staffing level? An expenditure of approximately $70,100 ($28,700 in salary, $10,500 in fringe benefits,

$11,000 in supplies & services, and, $19,900 in travel costs) would be required to hire one new court reporter at the Stenographic Reporter-1 classification level. (Court reporters are hired at the Stenographic Reporter-1 classification and promoted to the Stenographic Reporter-II classification generally after two years of experience). Travel costs include an estimate for meals, lodging and mileage.

During FY2002, the department spent approximately $155,500 for private court reporter services. This appears to indicate that the $155,500 amount spent on private court reporters would fund two permanent Stenographic Reporter-1 positions to help fulfill all of the court reporter needs at the WC division's regional sites. However, the WC Division regularly contracts five to six private court reporters for regional hearings each week. There would still be three to four hearing sites each week left to contract out through the DOA vendor bulletin at a cost of $90,000 to $100,000 annually. Therefore, the most efficient way to cover the hearing sites is with private court reporters funded by the WC Division's supplies and services budget.

Has consideration been given to the utilization of an electronic recording machine to record hearing proceedings as a means to reduce the cost of retaining private court reporters? Wis. Statute 102.15(3) requires the Worker's Compensation Division to use stenographic court reporters for hearings, except that in case of an emergency, as determined by the examiner conducting the hearing, testimony may be recorded by a recording machine. The Worker's Compensation community, i.e., the Council on Worker's Compensation, the Worker's Compensation Division, and the associated attorneys (for insurance companies, self-insured employers and claimants), are in agreement with s. 102.15(3) because of the complexity of worker's compensation cases and the amounts of money being litigated.

IV. Statutory Language

None.

V. Internal and External Impact

Internally: Approval of this request will relieve the pressure on the department's supplies and services line in Appropriation 129, WC PRO. The increased costs for private court reporter services has placed a burden on other supplies and services items such as the purchase of information technology services. Annual reductions in the purchase of computer programming services/system upgrades would be detrimental to customer service and staff productivity.

Additionally, the WC Division will have to schedule fewer hearings without the additional funding for private court reporter services. The average wait for a formal hearing is eight months at the l0 largest cities in the state. There are approximately 20 "low volume" locations throughout the state where the delay is longer. The strategic plan goal is to reduce the waiting time for claimants to get a hearing to six months. To reach this goal, the WC Division hired two additional administrative law judges, which will increase the number of hearings scheduled during the next two years. Scheduling fewer hearings will not reduce the wait time for a hearing to six months, a goal that the Council on Worker's Compensation (CWC) is in agreement with.

Externally The amount of resources available for private court reporter services has an impact on the number of hearings that can be scheduled. Approval of this request will allow WC to continue to schedule more hearings and therefore, reduce the time a claimant must wait to receive a hearing. Without the resources to sufficiently fund private court reporter services will impact the number of hearings that can be scheduled. A reduction in the number of hearings that the WC division can schedule will increase the time an individual claimant will have to wait for a hearing. This request impacts individual claimants, insurance carriers, self-insured employers and attorneys representing the specific parties involved in the Worker's Compensation dispute. The Council on Worker's Compensation is in agreement with this request to fund the increased cost of private court reporter services.

FISCAL SUMMARY

		2003-04	2004-05
TOTAL COST		$77,900	$82,900
X	Ongoing	$77,900	$82,900
	One-time financing	$0	$0
Positions		0.00	0.00

DIN 5203 Narrative: Rent/Lease Expenditures

The department requests $127,600 PR in FY04 and $125,600 PR in FY05 to cover increased rent expenditures in the Worker's Compensation Division (WCD). The Worker's Compensation Division's rent in GEF-1 has increased by approximately $100,000 annually because WCD is occupying more space per the recently released DOA space audit and the division's share of the common public areas has increased. In addition, WC is proposing to lease hearing room space in regions/cities with larger WC caseloads. This will enable WC to schedule more hearings more efficiently because they will not have to compete for meeting space with other agencies. This will reduce the time a claimant must currently wait to receive a hearing. The leased space will also provide a more safe and secure environment to conduct hearings on disputed claims as compared to the other meeting rooms/locations used in the past.

DIN 5203 Issue Paper: Rent/Lease Expenditures

I. Request/Objective

The department requests an increase in supplies and services in the program revenue (PR) appropriation to fund increased rent expenditures in the Worker's Compensation Division (WC). The requested increase is the result of the Department of Administration's recently released space audit for the GEF-1 building whereby WC now occupies more space in addition to WC's increased share of the common public areas.

In addition, the department requests an increase in supplies and services in the program revenue (PR) appropriation to lease hearing room space in regions/cities with larger worker's compensation caseloads. This will enable the Worker's Compensation Division to schedule more hearings because WC will no longer need to compete for meeting space with other agencies, i.e., will reduce the time a claimant currently has to wait to receive a hearing. The leased space will also provide a more safe and secure environment to conduct hearings on disputed claims as compared to some of the other meeting rooms/locations used in the past.

An administrative cost assessment, issued annually by the Worker's Compensation Division to all insurance carriers and self-insured employers in Wisconsin, provides the revenues needed to fund the department's costs of administering WC programs.

II. Background

In the past the Worker's Compensation Division had been charged for less space in the GEF-1 building. After the recently released space audit by the Department of Administration, WC now occupies more space in addition to paying for more common area space. In total the new increased space allotment to WC for the GEF-1 building is an additional 5,215 square feet. The cost of the additional space allotment is $99,606.50 (5,215 sq. ft. X $19.10/sq. ft.) annually. This is a new, increased, non-discretionary cost to the division's supplies and services line.

In addition, the Worker's Compensation Division is proposing to lease hearing room space in regions with larger caseloads. The regions under consideration are Janesville, Rice Lake, Eau Claire and La Crosse. The estimated first year cost for negotiating lease agreements, furnishing the hearing rooms and monthly contract payments is $28,000. Costs in the second year of the biennium are estimated at $26,000.

III. Analysis

Increased Rent Expenditures GEF-1 Building
As indicated in the background information on page 1, the Worker's Compensation Division rent costs at GEF-1 beginning September 2002 will increase by $99,606.50 annually (5,215 sq. ft. X $19.10). This increase is due to the most recently released space audit conducted by the Department of Administration as a result of the GEF-1 renovation project and WC's increased share of the common space areas. In the past WC had been charged for less space.

The Worker's Compensation Division cannot absorb an approximate $100,000 cost increase on the WC PRO (Appropriation 129) supplies and services line without affecting division program services and/or technology information service levels. Most of WC's programs are enforcement related and monitor compliance with the WC law. It would be difficult to cut any of these programs. One of the few items the division has control over is technology programming services and upgrades to systems and computer programs.

However, to reduce computer programming services/system upgrades would be detrimental to customer service and staff productivity. WC and its customers, including insurance carriers and self-insured employers, are dependent on the division's computer systems, many of which are now interactive web based systems. These systems all require maintenance and upgrade to insure that the WC information is available to its outside users.

Lease Hearing Room Space
WC is proposing to lease hearing room space in regions with larger caseloads. The regions under consideration are Janesville, Rice Lake, Eau Claire and La Crosse. It has become increasingly difficult to schedule hearings in some locations because of competing demands by all agencies within an area for meeting/conference room space. Some public agencies are reluctant to provide WC free space to hold hearings because WC hearings may commit their room space to WC for longer periods of time than what they are willing to provide. In addition, WC hearings are scheduled two or more months in advance of the actual hearing only to be cancelled because the parties have settled the dispute. Most public agencies are reluctant to have their conference room scheduled months in advance and then not be used.

Leased hearing room space will provide WC much more flexibility in scheduling hearings because the division will not have to compete with other agencies for meeting space. As a result more hearings can be scheduled more efficiently. This will reduce the time a claimant must currently wait to receive a hearing. An additional concern is that current locations used to conduct hearings throughout the state do not meet prescribed safety criteria to sufficiently protect Worker's Compensation Division staff from irate customers.

Many of the current hearing sites are isolated, with no means for outside contact in case of emergency. With a history of at least three violent incidents against ALJ's at hearings, WC management developed and applied a safety checklist to the current hearing sites. The locations (Janesville, Rice Lake, Eau Claire and La Crosse) under consideration will meet the safety criteria. The proposed locations are also handicap accessible, which is not true of some of the hearing locations currently used by the WC Division.

The Worker's Compensation Division, with the assistance of the department's Facilities Bureau would negotiate the lease agreements during the first quarter of FY04. Monthly contract lease payments would not begin until October of 2003. The estimated first and second year costs are as follows:

	FY04	FY05
Negotiate Lease Agreements	$ 6,000	-0-
Furnish Hearing Rooms	$ 4,000	$ 2,000
Monthly Contract Payments	$18,000	$24,000
Total	**$28,000**	**$26,000**

IV. Statutory Language

None.

V. Internal and External Impact

Internally Approval of this request will relieve the pressure on the department's supplies and services line in Appropriation 129, WC PRO. The WC division cannot absorb the increased rent costs due to the increased space allocation in the GEF-1 building without reductions in program services or information technology service levels. Since WC programs are mostly enforcement and monitor compliance related, it would be difficult to cut any of these programs. To reduce technology programming and system upgrades would be detrimental to customer service and staff productivity.

Approval of WC's proposal to lease hearing room space will insure that WC staff are located in a safe working environment when conducting hearings involving worker's compensation disputes. The proposed sites will meet the WC management's checklist for employee safety.

Externally Approval of WC's proposal to lease hearing room space will enable the division to schedule more hearings more efficiently because WC will no longer need to compete for hearing room space with other public agencies. This will reduce the time an individual currently has to wait to receive a hearing, a goal that the Council on Worker's Compensation (CWC) is in agreement with. This request impacts individual claimants, insurance carriers, self-insured employers and attorneys representing the specific parties involved in the Worker's Compensation dispute.

FISCAL SUMMARY

		2003-04	2004-05
TOTAL COST		$127,600	$125,600
X	Ongoing	$117,600	$123,600
	One-time financing	$10,000	$2,000
Positions		0.00	0.00

DIN 5204 Narrative: SEG Re-Estimate

The department requests an increase in Appropriation 174 – Uninsured Employers Fund; Payments, of $1,000,000 SEG in FY04 and $1,000,000 SEG in FY05 to more closely reflect the current annual revenue/expenditure exchange in the appropriation's Chapter 20 amount, 20.445(1)(sm). Appropriation 174 is a sum sufficient appropriation funded by the Uninsured Employers Fund (UEF), 102.80. Currently the Chapter 20 expenditure authority level of Appropriation 174 is $1,200,000. Expenditures during FY02 were approximately $1,900,000. It is anticipated that expenditures will hold at approximately $2,100,000 - $2,200,000 annually during FY04 and FY05. This request will bring the annual Chapter 20 expenditure authority level in Appropriation 174 to $2,200,000. The Chapter 20 Appropriation 174 authority level has not been revised since its inception - July 1996.

DIVISION OF UNEMPLOYMENT INSURANCE

DIN 5401 Narrative: Correction to File Maintenance

The department requests the elimination of 1.0 FTE (permanent, classified position) in appropriation 151 (Unemployment Administration; Federal Moneys) to correct an error in file maintenance from the 2001-2003 biennial budget. The department's budget request for the 2001-2003 biennial budget included DIN 5502, which re-aligned ASD positions. As a part of this request, 1.0 FTE was transferred from appropriation 151 to appropriation 185 (Administrative Services). The B-2 form for DIN 5502 reduced salary and fringe benefits in appropriation 151 to reflect this transfer; however, the number of classified positions was not reduced 1.0 FTE.

DIN 5402 Narrative: DUI Position Re-alignment

The department requests conversion of 0.75 FTE and associated costs from appropriation 120 (Local Agreements) to appropriation 151 (Unemployment Insurance, Federal Moneys). In the past, the Department of Commerce entered into agreements with UI's Bureau of Legal Affairs (BOLA) for independent and impartial administrative law judges to hear and issue proposed decisions for the Petroleum Environmental Cleanup Fund (PECFA). The Department of Commerce, which reimbursed DWD for its full expenditures of salary, fringe, and supplies and services for the 0.75 FTE, has not renewed this agreement.

The 0.75 FTE is needed in BOLA to handle increased workload and to meet federal timelines for processing appeals. The number of UI benefit appeals cases filed with BOLA has increased 15 percent in CY 2002. In CY 2001, the bureau received 24,000 cases; in CY 2002, it will receive nearly 28,000 cases. BOLA expects the workload to remain at this higher level since Wisconsin is experiencing increased unemployment.

Federal regulations administered by the U.S. Department of Labor (DOL) require 60 percent of these appeals to be resolved within 30 days of the date of the appeal request, and 80 percent to be resolved within 45 days. For the past two years, BOLA has been unable to meet either standards and, as a result, has a corrective action plan in place. If DOL determines that Wisconsin is not making a good faith effort to meet these standards, Wisconsin could lose its federal unemployment insurance grant, which totals $60 million annually.

DIVISION OF WORKFORCE SOLUTIONS:

DIN 5601 Narrative: DWS Position Realignment

The department requests changes in position authority to realign authorized Full Time Equivalent positions with funding sources within the Division of Workforce Solutions. The decision item will not result in any net increase in authorized positions. During the past several fiscal years there have been a number of changes in the programs and services of DWD/DWS, and the funding that supports these services. This decision item will realign all positions in the division to reflect the current organizational structure, programs, and funding sources.

DIN 5602 Narrative: DWS Position Correction

The department requests $42,774 FED and 1 FTE in FY04 and $42,774 FED and 1 FTE in FY05 for the Bureau of Workforce Information. This request recognizes a position number (#331748, Economist 2) that was approved by the Department of Administration May 2002 and is reflected in PMIS. This position was inadvertently left out of the 30-day report. As a result, the position did not get reflected in the department's adjusted base budget.

DIN 5603 Narrative: Improvements to Child Support Administrative Efficiency

The department requests several statutory changes to improve the efficiency of the child support program.

- Revise the Voluntary Paternity Acknowledgement form to increase usage of the form, reduce court costs, and avoid federal penalties for paternity establishment.
- Add the State as a real party of interest in Food Stamp-only cases to establish paternity and support orders, thereby reducing Food Stamp receipt when child support is paid.
- Reduce service of process costs at the local level by using regular mail to provide notice of court order revision.
- Permit the department to access health insurance information collected by the Department of Health and Family Services in order to:
- reduce the time and effort expended by child support agencies to determine whether a parent has health insurance coverage available,
- increase the number of children who will have access to health insurance coverage, and
- reduce Medicaid costs to the extent that more children are covered by private insurance.
- Clarify that child support agencies may collect arrears in child support cases until twenty years after the child reaches the age of majority instead of twenty years after the judgement is entered. With a longer period for collection, the department and local agencies will be able to collect of a considerable portion of the $1 billion in arrears assigned to the state and the approximately $1.8 billion in arrears owed to families.
- Adopt recommended technical changes to the Uniform Interstate Family Support Act in order to prevent a potential loss of federal child support and TANF funding.
- Modify how the child support percentage of income standard is used in certain cases based on the recommendations of the department's Child Support Guidelines Advisory Committee.

- Deny grants issued by the Department of Agriculture, Trade, and Consumer Protection to applicants whose names appear on the child support lien docket.
- Require the petition for support establishment to specify whether either of the parties has existing obligations to pay support.

DIN 5604 Narrative: Fund Child Support Programs

The department requests statutory language to evenly divide federal incentive payments that exceed the $12.34 million cap in SFY 03-SFY 05 between the department and local child support agencies. The department plans to use its share to fund the Kids Information Data System/Central Receipt and Disbursement (KIDS/CR&D) budget, and requests expenditure authority of $472,810 FED in FY 04 and $1,128,440 FED in FY 05 in the newly created appropriation 343 (Federal Program Operations – Child Support Incentives – State) for this purpose.

The department requests a decrease in expenditure authority in appropriation 357 (Federal Program Operations – Child Support Administration) to match expected revenue. In addition, the department asks to reallocate $945,620 FED in SFY 04 and $2,256,880 FED in SFY 05 in appropriation 357 for the KIDS/CR&D budget. These amounts are the federal match for the department's share of federal incentive payments authorized in appropriation 343.

The department expects decreased revenue from the receipt and disbursement fee and interest payments, which fund the CR&D base contract. Therefore, the department is asking to decrease expenditure authority to $8,500,000 in SFY 04 and $8,300,000 in SFY 05 in appropriation 334 (Child Support State Operations – Fees) and $600,000 in SFY 04 and 05 in appropriation 335 (Centralized Support Receipt and Disbursement; Interest).

The department includes a request for statutory authority to provide, through administrative rule, an alternate fee structure in FY 05 or thereafter, to fund child support administrative costs or the base contract for central receipt and disbursement, if necessary.

The department requests additional expenditure authority to increase the amount the paid to local child support agencies in annual contracts to administer the child support program, reconcile arrearages in cases with percentage expressed orders, and further improve the performance of the child support program, thereby increasing the amount of incentive payments received from the federal Office of Child Support Enforcement. When revenue re-estimates and the local share of incentive payments exceeding the $12.34 million cap are taken into account, the department requests increased expenditure authority of $4,280,625 FED in FY 04 and $4,380,625 FED in FY 05 in appropriation 350 (Federal Program Local Assistance – Child Support Incentives), and $11,681,250 FED in FY 04 and $11,881,250 FED in FY 05 in appropriation 351(Federal Program Local Assistance – Child Support County Administration).

DIN 5604 Issue Paper: Fund Child Support Programs

I. Request/Objective

This issue paper summarizes several areas in which increased budget authority is needed to effectively operate the department's Child Support collection and disbursement functions and adequately fund contracts with local child support agencies for percentage expressed order arrearage reconciliation and other local child support agency costs to maximize the amount of federal incentives that can be earned for Wisconsin.

II. Background

The federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) imposed on states a number of new requirements related to child support enforcement. One of the more significant PRWORA mandates is the requirement that states provide a statewide automated system for Centralized Receipt and Disbursement (CR&D) of child support. 1997 Wisconsin Act 100 established the Support Collections Trust Fund for that purpose.

The State contracts with Affiliated Computer Systems – State and Local Solutions (formerly Lockheed Martin IMS) for the CR&D function, which includes customer service such as maintaining the interactive voice response (IVR) system as well as responding to calls related to support collections, payment adjustments, and daily and monthly reconciliation. Funds collected for child support are deposited with the State's working bank, U.S. Bank, until the time they are disbursed.

Funding for Trust Fund operations comes from several sources: receipt and disbursement fees paid by non-custodial parents (R&D fees), interest earnings on the "float" between the time child support collections are deposited in the Trust Fund and the time that they are paid out, GPR from Appropriation 301, and 66 percent federal reimbursement for GPR expenditures. 2001 Wisconsin Act 16 increased the receipt and disbursement (R&D) fee from $25 to $35 and authorized additional R&D collection techniques such as state tax intercept of delinquent fees.

Although the receipt and disbursement of support payments are centralized, the department contracts with local child support agencies to administer the program. County contracts for local child support administration historically have been funded with a combination of state and federal incentive dollars. GPR was the state source of funds until 1999 Act 9 changed the state source to the program revenue from the state share of collections, and combined the PR with both "order revision" and federal incentive funding to produce one program to distribute funding to counties. 45 CFR 302.55 requires states to share incentives earned with any political subdivision that shares in funding the administrative cost of the state's child support program.

Although the funding streams were combined, the contract cap remained at $12.34M in s. 49.24 with state contributions limited to $5.69M. Wisconsin must earn at least $6.65 M federal incentive funds annually in order to fully fund CSA contracts at the $12.34M level. The state share is reduced when federal incentive funding is greater than $6.65 M. Likewise, when federal incentives earned are less than $6.65M, the state share of the contracts increase up to $5.69M per year. When use of the state share of collections for contracts is reduced, the funds remain available for TANF maintenance of effort and expenditures.

Prior FFY99, the federal incentive formula awarded states incentive funding based upon child support collection data and program cost-effectiveness, and was capped by the amount of state-owed support collections. Wisconsin did well under the old formula until the public assistance caseload declined.

In FFY99, the Federal Office of Child Support Enforcement (OCSE) began phasing in a new federal incentive formula. The new performance formula awards incentives based on Wisconsin's performance compared to other states in support order and paternity establishment, current and past-due support collections, and administrative efficiency.

III. Analysis

The department is proposing a change in the use of federal incentive money to fund a portion of the KIDS/CR&D budget and increase county contracts to complete reconciliation of percentage expressed orders and reduce the amount of local county contributions for child support administration. Additional funds to reconcile these orders will make Wisconsin competitive for all five-performance measures of the federal incentive formula and reduce losses of potential federal revenue for FFY06.

Cost of the CR&D Base Contract

The Trust Fund receipts and disburses 99% of all support collections in the state. Annually, this involves processing over two million mail items and disbursing over five million checks and electronic funds transfers, totaling $900 million. In addition, the Trust Fund receives 450,000 monthly phone calls. Ninety percent of these calls are handled by the IVR; customer service representatives handle the remaining 45,000 calls.

ACS operational costs for SFY 02 were approximately $7.7 million. The projected costs for SFY 2003 are $8.1 million. Postage and bank fees constitute an additional $2.55 million annually. The current contract with ACS is scheduled to expire on Dec 31, 2003. In late 2002, the department plans to release a request for proposal (RFP) to select a vendor or vendors to perform the CR&D tasks beginning January 2004.

The department expects an increase in contract costs as other states are already paying higher rates than Wisconsin for CR&D operations. Wisconsin currently pays ACS $0.727 for each payment collected and $0.157 for each payment disbursed. Two states pay lower rates than Wisconsin for each payment collected – Minnesota, which pays $0.48 per collection, and New Jersey, which pays $0.484 per collection. However, the rates paid by Minnesota and New Jersey do not include the cost of equipment, premises rent, or furniture, which is provided by the state instead of the vendor. The rates Wisconsin pays ACS include these items.

In order to determine costs under a new contract, the costs for Michigan's CR&D unit are used. Michigan is selected as a comparable Midwestern state because ACS is the vendor for both Wisconsin and Michigan, the RFP for Michigan's CR&D unit mirrored Wisconsin's original RFP, and the rates in both states include contracting staff, facility, and equipment costs. Since Michigan is currently transitioning to a centralized statewide CR&D unit, the prices Michigan will be paying in 2004, when the unit is fully implemented, are used to determine possible contract costs in SFY 04 and 05.

Table 1 illustrates the impact of applying Michigan's rates ($1.28 per item received and $0.21 per payment disbursed) to Wisconsin's volume (5,560,000 payments received and 5,550,000 payments disbursed). It is assumed that Wisconsin's volume of payments received and disbursed remains constant. It is also assumed that postage and bank fees remain constant ($2.55 million annually).

Table 1: CR&D Base Contract Costs, Postage Costs, and Bank Fees

Time Periods	Total
July 1, 2002-June 30, 2003 (SFY03) BASE	$11,068,080
July 1, 2002-June 30, 2003 (SFY03) PROJECTED	$10,635,000
July 1, 2003-Dec 31, 2003 (SFY04) PROJECTED	$5,365,300
January 1, 2004-June 30, 2004 (SFY04) PROJECTED	$7,045,950
July 1, 2004-June 30, 205 (SFY05) PROJECTED	$14,191,700

As shown in Table 2, contract expenditures increase $1.34 million in SFY04 and $3.12 million in SFY05 when Michigan's FFY 2004 rates are applied to Wisconsin's volume and projected contract costs are compared to the SFY03 base for the contract.

Table 2: Increased CR&D Contract Costs

	SFY 2004	SFY 2005
Projected cost	$12,411,250	$14,191,700
SFY 2003 base	$11,068,080	$11,068,080
Increase/need	$1,343,170	$3,123,620

Program Income for the CR&D Base Contract

In addition to the significantly higher costs anticipated to maintain base CR&D services, a second important perspective on why additional resources are needed to maintain the CR&D base contract is that revenues from non-GPR sources intended to fund the contract have been lower than expected.

In the 2001-2003 biennial budget, revenue from the receipt and disbursement (R&D) fee was estimated at $8.7 million in SFY 02 and $9.2 million in SFY 03. In SFY 02, only $7.7 million was collected, and it is projected that only $8.5 million will be collected in SFY 03. Over time, R&D collections will decline as a larger portion of delinquent fees becomes uncollectable; for instance, delinquent fees owed by self-employed payers cannot be collected through income withholding. In fact, this decline is starting to occur. In CY 2001, $3.3 million delinquent R&D

fees were collected; in the first seven months of CY 2002, $1.4 million delinquent fees have been collected. The Department projects R&D collections of $8.5 million in SFY 04 and $8.3 million in SFY 05.

The actual interest on the "float" is also less than what was projected in the 2001-2003 biennial budget. In SFY 02, interest earnings of $1.3 million were estimated; however, only $600,000 was actually earned. The Department projects interest earnings of $600,000 in both SFY 04 and 05.

Impact on the KIDS/CRD Budget

It is assumed that GPR funds in the KIDS/CRD budget will be cut $300,000 as a result of the Budget Repair Bill, which means that federal funding in the KIDS/CRD budget will be reduced $600,000. With these cuts, along with the increase in the base CR&D contract cost and the decrease in projected revenues to fund the contract, the KIDS/CRD budget will have a deficit of nearly $1.42 million in SFY 04 and $3.38 million in SFY 05 (see Table 3).

Table 3: KIDS/CR&D Budget

	SFY 2004	SFY 2005
Revenue	$36,252,941	$36,052,942
Expenditures	$37,671,371	$39,438,262
Difference (Revenue – Expenditures)	($1,418,430)	(3,385,320)

Reconciliation of Arrearages in Cases with Percentage Expressed Orders

In FFY00, OCSE determined that percentage expressed court orders (PEOs) for support in Wisconsin produced "unreliable data" for federal performance measurements, which has resulted in no incentive funding for the following two of the five measurements for incentive payment calculations:

- Collections on orders, and
- Collections on arrearages for FFY00-01 incentive funding performance measures.

To remedy the data reliability issue created by PEOs, the legislature awarded $1 M GPR in SFY02 to assist counties in converting 66,000 PEO cases to fixed dollar amounts, and changed Wisconsin statutes to allow only fixed dollar child support orders. As a result, Wisconsin should be able to collect on an additional performance measurement.

In August 2002, the Federal Office of Child Support Enforcement (OCSE) FFY01 audit results for FFY01 indicated that there would still be unreliable data on collections on arrearages and recommended that Wisconsin reconcile arrearage orders. Thus, performance under the arrearage standard will not be factored into Wisconsin's incentive calculation for FFY01 and may not be included in FFY02 and beyond. Although Wisconsin is challenging the federal ruling, it is likely that Wisconsin will receive incentive funding on only four out of the five federal performance standards until arrearages are manually calculated in the 66,000 PEO converted cases.

Table 4 contains estimated future federal incentives for Wisconsin based upon performance on only four measures as well as all five measures. Wisconsin will most likely lose $12 M in potential federal funding between FFY03-05 as a result of arrearage data for converted PEO cases deemed unreliable in federal audits.

Table 4

Year	Fed. Incentive Estimates Based on 4 Measures	Fed. Incentive Estimates Based on 5 Measures	Estimated Amount of Lost Incentive Funding Due to PEO data
FFY03	13.8 M	17.3 M	3.5 M
FFY04	13.1 M	16.4 M	3.3 M
FFY05	13.3 M	18.5 M	5.2 M
	40.2 M	**52.2 M**	**12 M**

In addition to reduced incentive funding, the Kids Information Data System (KIDS) may not receive federal certification if arrearages are not reconciled in cases with percentage expressed orders. As a result, the State's TANF block grant could be reduced each subsequent quarter until the state is in compliance. The reduction would be between one and two percent ($3.2M-6.2M)) for an initial finding of non-compliance; between two and three percent ($6.2M-9.4M) for a second consecutive finding. Non-compliance would also put the State at risk to lose up to $42M annually in federal child support funding. In the event that a state is penalized, it must expend – with its own funds – an amount equal to the federal-aid reduction, and these funds cannot be counted toward the maintenance-of-effort requirement. In other words, if a state is penalized, it must make up for the loss in federal funds, and the additional state expense must exceed the normal state funding commitment required to receive the TANF funds.

Reconciling arrearages on PEO converted cases will be a huge workload increase for child support agency staff and will compete with local agency efforts to earn federal incentives for paternity and support establishment and enforcement actions to encourage payment of current support. It is estimated that it takes two to three times the amount of work to reconcile arrearages on converted PEO cases than it does to convert court orders to fixed dollar amounts. In an effort to minimize costs for arrearage reconciliation activities and workload increases for child support agencies, DWD is planning to automate as much of the work that is possible and will introduce statutory language changes at a later date to streamline the process. Therefore, both child support agencies and DWD will share the costs to reconcile arrearages so that Wisconsin may earn additional federal incentive funding based on all five performance measures.

Insufficient County Contract Funding for Local Child Support Enforcement Administration

Most counties use their entire DWD child support funding before the end of their contract period and seek local tax dollars to administer their child support programs. Child support agencies can and do offset local tax dollar expenditures for child support program administration through recovering Medicaid Support Liability (MSL) paid birth costs from non-custodial parents, of which counties earn 15% of the collection. In addition to offsetting local tax dollar contributions, MSL recovery provides earned GPR for the Department of Health and Family Services through the 85% portion of the collection for Medicaid cost recovery. However, MSL recovery is likely to be eliminated with TANF reauthorization.

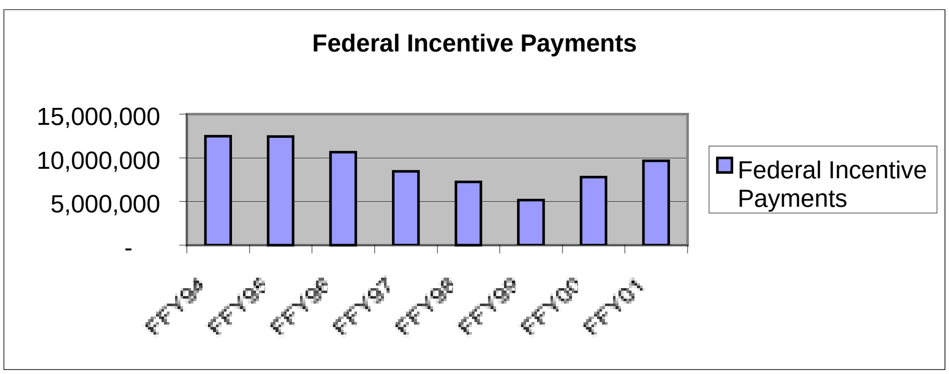
Table 5 indicates $9.9M of MSL earnings/ local tax offset and county net contributions from CY98- CY01. With MSL offset payments, counties contribute an average of $2.3 M annually to their contracts; without MSL offsets, counties contribute an average of $4.8 M annually to their contract.

Table 5

Year	County MSL Earnings 15% of the Collection	Net County Contributions After MSL Earnings
CY98	$2,803,463	0
CY99	2,200,888	1,761,762
CY00	2,316,723	4,512,249
CY01	2,555,366	2,971,734
Total	**$9,876,410**	**$9,245,745**

Estimated Increase in Federal Incentive Payments

Although federal incentive earnings for Wisconsin have been as high as $12.5 M (in FFY94), the issue of what to do with federal incentive funds if Wisconsin earns in excess of the s. 49.24 contract limit has not surfaced since the $12.34M cap was established in SFY99. The following chart illustrates the amount of federal incentive funding received from FFY94-FFY00, and the estimated amount that will be received for FFY01.



As the chart illustrates, Wisconsin's federal incentive earnings declined beginning in FFY 1996 in proportion to Aid to Families with Dependent Children (AFDC) caseload reductions. As mentioned earlier, incentive payments prior to FFY 1999 where based on child support collection rates and program cost-effectiveness, and were also capped by the amount of state-owed support collections. In addition, the pool from which AFDC debt collections come from has been replaced by W-2 state-owed arrearages that now do not accumulate because current support is passed through to participants.

Wisconsin began to earn larger incentive funds again in SFY00 and is expected to increase incentive earnings over the next couple of years. However, Wisconsin could earn much more in federal incentive funding if OCSE would recognize court cases that had orders for support expressed as a percentage of income rather than a fixed-rate amount.

Unlike program income from fees and earned interest that are not eligible for federal financial matching at 66%, federal incentive funding becomes eligible for federal matching when used for child support expenditures. In addition, federal regulations now require reinvestment of federal incentive funding as maintenance of effort though supplementing and not supplanting existing state funding**.**

Budget Authority Increase Request

The Department is requesting spending authority for the excess federal incentive revenue earned over the $12.34M cap during SFY03-05 (see Table 6). The Department is also requesting statutory language to permit excess amounts to be split 50/50 between the Department and local agencies.

Table 6: Projected Federal Incentive Payments Above the Cap

	SFY 03	**SFY 04**	**SFY 05**
Federal incentive payments above the cap	$1,482,500	$760,000	$960,000
Federal match	$2,965,000	$1,520,000	$1,920,000
Totals	$4,447,500	$2,280,000	$2,880,000

The local agencies' share of excess federal incentive payments will be used for PEO arrearage reconciliation and administrative costs for annual operations to promote the highest level of federal incentive awards for Wisconsin. Table 7 outlines the increased contract levels for child support agencies using 50% of the projected excess federal incentive funds for SFY03-05.

Table 7: Increased Local Child Support Agency Contract Costs

	SFY04	**SFY05**
Excess SFY03 Incentive Funds (50%) for PEO Reconciliation Activities	$ 370,625	$ 370,625
Excess SFY04 Incentive Funds (50%)	380,000	480,000
Excess SFY05 Incentive Funds (50%)		
s.49.24 Contract Limit	$ 12,340,000	$ 12,340,000
Total New Contract Limits for SFY04-05	**$ 13,090,625**	**$ 13,190,625**

The Department's share of excess federal incentive payments will be used to fund the KIDS/CR&D budget. The Department requests the creation of appropriation 343 (Federal Program Operations – Child Support Incentives – State) with budget authority of $472,810 FED in FY 04 and $1,128,440 FED in FY 05 for this purpose. In addition, the Department asks for a reallocation of budget authority in the amount of $945,620 FED in SFY 04 and $2,256,880 FED in SFY 05 in appropriation 357 (Federal Program Operations – Child Support Administration) for the KIDS/CR&D budget. These amounts are the federal match for the Department's share of federal incentive payments authorized in appropriation 343.

Despite the 40 percent increase in the R&D fee in the 2001-2003 biennial budget, the Department is not requesting another increase in the fee in the 2003-2005 biennial budget to fund the CR&D contract. Instead, the department is requesting authority to promulgate an administrative rule that would specify an alternate fee structure in the second fiscal year of the biennium. Although a reasonable estimate of CR&D costs under a new contract has been calculated, it is unknown at this time what the actual contract costs will be. SFY05 will be the first full year under the new contract. As indicated earlier, contract costs are projected to be $3.56 million more in SFY05 than in SFY03. If actual contract costs are greater than projected, an alternate revenue source will need to be identified in order to prevent base contract services from being cut. If child support payments are not received and collected within two business days, the Department will be out of compliance with federal requirements, jeopardizing TANF and federal child support funding.

The authority to establish an alternate fee structure would provide the Department with the flexibility to increase revenue, if needed, to pay for the CR&D contract, subject to legislative oversight through the administrative rulemaking process.

IV. Statutory Language

Descriptions of the components of this proposal requiring statutory language changes are described separately.

V. Internal and External Impact

If federal timeframes are not met for receiving and disbursing child support payments, thousands of families will be affected by delayed payments to custodial parents and possible disruption or loss of federal funds. Also, payments will be delayed to counties for foster care and to the state for kinship care.

DIN 5605 Narrative: Required Work Program for Low-Income Noncustodial Parents

The department requests $3,000,000 FED in FY04 and $3,000,000 FED in FY05 for the Children First Program. The department requests budget authority for $3.0 Million TANF annually to be added to the $1.14 Million GPR base for the Children First program. The $1.14M GPR base is used as MOE for the TANF program.

Additional funding is requested to increase the provision of services to more noncustodial parents who are not paying their court ordered child support. The request also includes an expansion of the employment, training, and family formation services offered in the program. There are 71, 388 noncustodial parents in Wisconsin potentially eligible for Children First services. The current funding level is sufficient to reimburse agencies for services for only 2859 noncustodial parents annually.

DIN 5605 Issue Paper: Required Work Program for Low-Income Noncustodial Parents

I. Request/Objective

The department requests $3.0 Million Temporary Assistance for Needy Families (TANF) budget authority annually in SFY04/05 for addition to the $1.14 Million GPR base for the Children First program. The additional funding is requested to serve more noncustodial parents (NCPs) in the program, and to provide a broader array of services to participants.

II. Background

The Children First program began in 1990 as part of former Governor Tommy Thompson's welfare reform plan for Wisconsin. The program was developed to provide funding for services for unemployed or underemployed NCPs who were not paying child support. The program piloted in Racine and Fond du Lac counties, and currently operates in 39 counties and with one tribal agency.

The Children First program is funded with General Purpose Revenue (GPR) used as Maintenance of Effort (MOE) for TANF. Under the current statutes, Children First agencies may claim reimbursement for allowable program costs up to $400 participant per 12 months. The $1.14 Million current level of funding is sufficient to provide only basic employment readiness services to 2850 noncustodial parent enrollees annually.

Wisconsin Statutes 767.295 specifies that NCPs are required to participate in the program only until they either pay their court ordered support obligation on time and in full for three consecutive months, or have completed 16 weeks of employment and training services. NCPs are also protected under s. 49.36 stats. from being ordered into the program for more than 16 weeks in a twelve months period. Therefore, the program's enforcement abilities and length of service delivery are too limited to affect long term benefits.

III. Analysis

Low-income NCPs often need the same long-term family formation and employment services that custodial parents receive through TANF programs to become self-sufficient. A March 2002 report by the Urban Institute "Helping Poor Nonresident Dads Do More," indicates that poor non-custodial fathers face many of the same employment barriers as custodial mothers who receive TANF related services.

The federal government has been looking at how to meet the employment and training needs of these low-income NCPs to improve their ability to support their children. One approach has been to encourage the use of TANF to assist NCPs in employment search activities. This approach became possible when the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) replaced AFDC (Aid to Families with Dependent Children) with

TANF. Unlike AFDC, a key aspect of TANF is that it does not limit the provision of assistance to the custodial parties of a child. That is, it allows services to the male and female parents of minor children who are not living with those children, including parents that do not have custody of the children (NCPs).

National figures indicate that individuals that fall into low-income categories represent about 23 percent of all NCPs. If the research findings are applied to Wisconsin's 310,384 noncustodial parents who owed at least $500 in current child support in 2001, approximately 71,388 were low-income and eligible for Children First services. However, enrollment in the Children First program is substantially below the estimated number of potential of participants in Wisconsin. As indicated earlier, the current program funding level is sufficient enough to only enroll 2850 new participants a year.

In November 2000, the Department's completed a review of the Children First program. According to the "Children First Program Final Evaluation Report," most Children First participants did not have a high school diploma and two-thirds had no training after high school. Program evaluators found that the most common services provided in the program were assessment, job readiness, motivation and job search and that only four percent of Children First participants received services such as work experience, young father's and parenting programs, high school or adult basic education, post-secondary education, medical or psychological assessment, and assessment by the state's vocational rehabilitation program.

The Children First Final Evaluation report also indicates that the amount of money allocated per participant would probably not fund services beyond those most commonly offered. This indication is consistent with that the US Department of Labor recently published results of a cost analysis of Welfare to Work programs costs for providing employment services to a target population that included NCPs. The US Department of Labor found that the average cost for providing services was $3,607 per participant. Given the difference between the Children First program's $400 per participant limit and the national Welfare to Work average cost of over three thousand dollars, it might be reasonable to expect that the target population would not dramatically increase earnings and child support payments without additional assistance to overcome significant barriers to employment.

Feedback received from counties who have administered the Children First program indicates the need to increase the funding to allow more participants in the program and to provide more services to the enrollees. Counties would also like to extend the amount of time that an NCP can be involved in receiving services. Criticism of the program includes the notion that it is not likely that long-term, lasting change will occur based on an NCP's brief participation in the program.

Under welfare reform states were encouraged to develop programs that would encourage the formation and maintenance of two parent families. Welfare reform also brought about an increased awareness on the need to collect child support both on behalf of children and the federal and state governments, and on the need for responsible parenting by both mothers and fathers. Past attempts to address these issues have proved positive and research continues to suggest that continued efforts and a focus on responsible fatherhood are needed. Research also shows an increased need for services for low-income NCPs, who often have little or no work history, limited education, and other serious barriers to employment such as alcohol or drug addiction.

To meet the needs of low-income NCPs, DWD is proposing to provide more comprehensive services in the Children First program, including child well-being and family formation services such as parenting skills, responsible fatherhood, counseling regarding co-parenting, communication, relationship building, conflict resolution and/or mediation.

IV. Statutory Language

This request is to change sections of s. 49.36 and s.767.295 to allow noncustodial parents to receive family formation services in addition to work services, and changes the length of program participation from statutorily set times to being up to the discretion of the courts. Also included are technical changes to eliminate 1997 statutory references and changes from capped reimbursement amounts of $400 per client to terms set in contracts between the department and administrative agencies.

V. Internal and External Impact

An increase in the number of NCPs parents enrolled in the Children First program will increase child support payments for families and possibly for state-owed arrearages.

FISCAL SUMMARY

	2003-04	2004-05
TOTAL COST	$3,000,000	$3,000,000
X Ongoing	$3,000,000	$3,000,000
One-time financing	$0	$0
Positions	0.00	0.00

DIN 5606 Narrative: Southeastern Wisconsin Apprenticeship Services

The department requests the transfer of 2 (permanent) FTE from s. 20.445 (1) (n) to s. 20.445 (1) (cm) in FY 2003-04 and FY 2004-05 to provide staffing for a new effort to increase the participation of Milwaukee-county individuals under the age of 26 in apprenticeships. No above-base funding is requested for these two FTE in FY 2003-2004 and FY 2004-2005. They will be funded by phasing out the Wisconsin Service Corps (WSC) and by using the continuing balance in the appropriation.

S. 20.445 (1) (cm) currently provides funding for the WSC, which similarly serves Milwaukee-county individuals under the age of 26, but places them in short-term community-service jobs. DWD believes that increasing participation in apprenticeships will serve a greater number of people and provide them with a career-path to higher-paying jobs.

Recently two factors have arisen simultaneously: 1) DWD's Division of Workforce Solutions has two (permanent) FTES budgeted in s. 20.445 (1) (n) that have been supported by charging to

"Reed Act" funding in s. 20.445 (1) (na) that is coming to an end. The positions have focused on apprenticeship services. By reallocating these positions to s. 20.445 (1) (cm), DWD can maintain its efforts to encourage apprenticeships and increase those efforts in the Milwaukee area while relying on already-appropriated and base funding. 2) DWD has entered into an agreement with the U.S. Equal Opportunity Commission (EEOC) to resolve an allegation that DWD's apprenticeship selection standards were in violation of Title VII of the Civil Rights Act Regarding State Fair Employment. DWD has agreed to validate tests and interview questions used by apprenticeship local committees. The Department has also agreed to update and put into place a system for updating apprenticeship affirmative action plans and to undertake compliance reviews.

While DWD could reallocate the positions to work on other federal programs, DWD believes that increasing its emphasis on developing apprenticeship opportunities in the Milwaukee area is an effective strategy to address its workforce needs and address concerns raised in a U.S. Equal Opportunities Commission allegation.

DIN 5606 Issue Paper: Southeastern Wisconsin Apprenticeship Services

I. Request/Objective

DWD requests the transfer of 2 (permanent) FTE from s. 20.445 (1) (n) to s. 20.445 (1) (cm) to provide staffing for a new effort to increase the participation of Milwaukee-county individuals under the age of 26 in apprenticeships. No above-base funding is requested for these two FTE. They can be funded by phasing out the Wisconsin Service Corps (WSC) and by using the continuing balance in the appropriation. s. 20.445 (1) (cm) currently provides funding for the WSC, which similarly serves Milwaukee-county individuals under the age of 26, but places them in short-term community-service jobs. DWD believes that increasing participation in apprenticeships will serve a greater number of people and provide them with a career-path to higher-paying jobs.

II. Background

The WSC provides minimum wage, community-service jobs for young adults (ages 18-25) in Milwaukee that have little or no previous training or skills. In addition, it serves as an incentive for these individuals to pursue higher education, because they are awarded an educational stipend of up to $1,800 that they may use at any time within three years of its date of issuance. DWD is statutorily required to "attempt to hire at least 50% of its corps members" from current or recent public assistance recipients, or those "likely to be eligible for public assistance if they do not obtain employment."

State agencies, local governments and private organizations (typically non-profit agencies) are eligible to apply to sponsor a project. As a result, projects tend to be community-service-type jobs, which provide valuable work experience but not always a direct path to further employment. The number of corps members per project is statutorily limited to three. In addition, the WSC statute limits the duration of individual corps member's participation to a "normal enrollment period" of 6-9 months, and a maximum of 12-months "under special circumstances…required to complete a project in progress."

Due to the focus on community-service jobs, and the reduced competitiveness of corps member compensation (minimum wage + educational-stipend), participation in the WSC has been limited—about 18-20 participants annually. Base funding for the WSC is $89,600 annually in s. 20.445 (1) (cm). s. 20.445 (1) (cm) is a continuing appropriation that has accumulated an uncommitted balance. An estimated $280,300 will carry over into FY04.

Two other factors have arisen simultaneously: 1) DWD's division of Workforce Solutions has two (permanent) FTE budgeted in s. 20.445 (1) (n) that have been supported by charging to "Reed Act" funding in s. 20.445 (1) (na) that is coming to an end. The positions focused on apprenticeship services. By reallocating these positions to s. 20.445 (1) (cm), DWD can maintain its efforts to encourage apprenticeships and increase those efforts in the Milwaukee area while relying on already-appropriated and base funding. 2) DWD has entered into an agreement with the U.S. Equal Opportunity Commission (EEOC) to resolve an allegation that DWD's apprenticeship selection standards were in violation of Title VII of the Civil Rights Act Regarding State Fair Employment. DWD has agreed to validate tests and interview questions used by apprenticeship local committees in seven Wisconsin counties; Milwaukee, Ozaukee, Washington, Waukesha, Racine, Kenosha and Rock. The Department has also agreed to update and put into place a system for updating apprenticeship affirmative action plans and to undertake compliance reviews.

III. Analysis

The unemployment rate for young adults in Milwaukee exceeds the statewide average. DWD's proposal creatively addresses this need by reallocating base funding from a program that has not been heavily utilized to support instead new efforts to develop apprenticeship opportunities for this population. At the same time, DWD is reallocating existing positions that will need a new funding source in the next biennium. While DWD could reallocate the positions to work on other federal programs, DWD believes that increasing its emphasis on developing apprenticeship opportunities in the Milwaukee area is an effective strategy to address its workforce needs and address concerns raised in an U.S. Equal Opportunities Commission allegation.

One of these concerns was that apprenticeship programs generally require prospective apprentices to have a high-school diploma, certificate of general educational development (GED), or high school equivalency diploma (HSED). In addition to funding staffing for the apprenticeship-development program, DWD may be able to use this funding to assist prospective apprentices in obtaining GEDs or HSEDs.

IV. Statutory Language

See the separate "Statutory Modifications" paper describing the proposed changes to the appropriation under s. 20.445 (1) (cm) to accommodate efforts to increase participation in apprenticeship programs in the Milwaukee area.

V. Internal and External Impact

The internal impact is the redirection of 2 (permanent) existing positions in the Bureau of Apprenticeship Standards to focus on apprenticeship opportunities for individuals under 26 in Milwaukee and affirmative action compliance reviews in Southeastern Wisconsin.

No disruption will occur to WSC projects that are ongoing at the time the new authority takes effect. Similarly, any WSC members working on those projects will be allowed to complete their work experience and obtain the full educational benefits available under the program. While the WSC has typically served only 18-20 participants in a year, some community and non-profit organizations may be disappointed that they will no longer have the opportunity to obtain through the WSC temporary staff whose wages are paid by the State.

DWD believes that the young, unemployed population can be more effectively served through apprenticeships. Since training and education is typically provided by the employer of an apprentice, DWD believes that the positions will allow it to serve a greater number of young people annually compared to the WSC. Furthermore, compared to WSC work experience, successful apprentices will have a ready career track to long-term, generally high-wage, employment.

FISCAL SUMMARY

	2003-04	2004-05
TOTAL COST	$0	$0
X Ongoing	$0	$0
One-time financing	$0	$0
Positions	0.00	0.00
Classified – Appropriation 151	(2.00)	(2.00)
Classified – Appropriation 113	2.00	2.00

DIN 5608 Narrative: TANF/CCDF Allocation Levels

The Department requests $621,742,400 FED/GPR in SFY04 and $598,285,900 FED/GPR in SFY05 for the funding of programs allocated under s.49.175. To support the requested changes in allocations, the Department requests changes in the following appropriations:
Appropriation 303 – decrease $450,000 in both fiscal years,
Appropriation 315 – decrease $2,402,900 in both fiscal years,
Appropriation 345 – decrease $15,649,200 in SFY04 and $15,629,400 in SFY05,
Appropriation 347 – decrease $9,041,000 in SFY04 and $9,060,800 in SFY05,
Appropriation 366 – decrease $4,723,400 in SFY04 and $5,133,400 in SFY05,
Appropriation 375 – decrease $1,659,700 in both fiscal years,
Appropriation 390 – decrease $54,100 in both fiscal years, and
Appropriation 391 – decrease $14,301,500 in SFY04 and $22,854,800 in SFY05.

The Department is requesting expenditure and allocation authority for the administration of programs related to the Temporary Assistance to Needy Families (TANF) block grant and the Child Care Development Fund (CCDF) block grant. It is estimated that the Department will receive $583,792,700 in supporting revenues for SFY04 and $582,792,700 in SFY05. Additionally, 37,949,695 from unspent and unallocated federal funds will be available as revenue in SFY04.

In order to overcome the estimated $94 million annual structural deficit facing TANF programs the Department reviewed several options and alternatives to maintain funding for core programs as defined by the four TANF eligible purposes and the DWD Strategic Plan. The Department reviewed alternatives ranging from across the board reductions; identifying 3 priority groups to fund, cut or eliminate programs, and several blended approaches to protect core programs, reduce 2nd tier programs and eliminate 3rd tier programs that are least likely to create, support and maintain working families with the tools to succeed in the workforce. TANF core programs have been identified as Wisconsin Works (W-2), Direct Child Care subsidies, Workforce Advancement and Attachment, Children First, state administration and the DHFS programs administered for Kinship Care and Caretaker Supplement.

The request adds an allocation for the improvement of W-2 services to Milwaukee County through implementation of the Employment System Access Coordination and Independent Participant Advocacy programs for W-2 participants as well as an allocation for Job Retention Bonuses to reward W-2 participants that continue in employment positions for 180 consecutive days. Details and descriptions of the allocations in this request can be found in the associated Decision Item Request Issue Paper.

DIN 5608 Issue Paper: TANF/CCDF Allocation Levels

I. Request/Objective

Previously the Department has administered over 40 programs under the Temporary Assistance for Needy Families (TANF) and Child Care Development Fund (CCDF) block grant programs. During the 03-05 biennium the Department faces two unique issues in planning for the future. First, the original TANF block grant has expired and only continues on a 90-day continuing resolution through the end of 2003. During budget planning the Department assumed TANF reauthorization at current levels. Second, the TANF, CCDF and related revenues projected for 03-05 fall short of program spending if the State continues at current allocation levels. The result of falling revenues and increased expenditures is an estimated $94 million TANF structural deficit. Thus, the Department makes the following recommendations to continue to fund the TANF programs with an emphasis on the core programs administered by the Department, adjusting base allocations as appropriate. CCDF programs are budgeted to fully fund child care and closely monitor the impacts of increased costs.

In the early years of TANF, primarily 97-99, but also 00-01, the State was transitioning from AFDC to TANF with new programs getting off the ground followed by falling caseloads. Underspending created by a combination of falling caseloads and slow start up for new programs caused a large "carryover" of TANF related revenues which became allocated and spent in two ways. Some of the carryover was for new programs or existing programs where the participants (or some %) could be identified as TANF eligible, thus TANF $$ supplanted GPR. Many of the programs where TANF supplanted GPR are at other State agencies; DOR (Earned Income Tax Credit), DPI (Head Start and Aid to Milwaukee Public Schools), DHFS (Child Safety/Preventive Services, Immunization, Nutrition, and Adolescent Services/Pregnancy Prevention). Yet other TANF programs were expanded due to the availability of TANF funds. In the 01-03 biennium, nearly $128 million in TANF related revenues were allocated to programs that were either funded previously with GPR or smaller amounts of TANF funds.

Now, caseloads have risen, especially for our child care subsidy recipients, and the programs that were slow to start are now up to speed. Maintaining the current TANF expenditures for 03-05 would create an estimated $94 million deficit. The Department decided to prioritize programs funded with TANF related revenues. To prioritize TANF programming the Department relied on the four TANF purposes to:

1. Provide assistance to needs families so that children can be cared for in their own homes
2. Reduce dependency by promoting job preparation, work and marriage
3. Prevent out-of-wedlock pregnancies, and
4. Encourage formation and maintenance of two-parent families

The Department also used as a guide, it's strategic goals:

- Goal One—Wisconsin meets the worker shortage with qualified workers for jobs and jobs for workers that are fulfilling and self-sustaining.
- Goal Two—Wisconsin individuals and families receive the supports they need to enable individuals to fully participate in Wisconsin's economy.
- Goals Three—A greater percentage of people with disabilities participate in the workforce in jobs utilizing their potential.
- Goal Four—The workplace in Wisconsin is positive for employers and workers.
- Goal Five—DWD becomes a model workplace.
- Goal Six—DWD provides services/programs through the most contemporary, convenient, efficient and customer-friendly methods possible.
- Goal Seven—DWD becomes a performance-based agency through strong management and internal operating systems.

Based on the Department's decision to eliminate the estimated $94 million TANF structural deficit without asking for GPR increases, three program tiers were identified: Funding for he first tier of "core" programs will not be reduced and increases will be adjusted for caseload estimates and Department values. First tier programs include Wisconsin Works (W-2), Direct Child Care subsidies, Children First, Workforce advancement and Attachment, Employment System Access Coordination, Independent Participant Advocates, Job Retention Bonuses and State Administration of TANF programs as well as the Kinship Care and Caretaker Supplement programs administered by DHFS.

Second Tier programs are those that were selected for reductions in TANF funding and include: Indirect Child Care, Child Care-Local Pass Through, Early Childhood Excellence and the Earned Income Tax Credit. Allocation requests for Community Reinvestment and Performance Bonuses are for Department obligations from the 2000-2001 W-2 contract period and considered second tier programs.

All other TANF related programs were considered third tier programs and the Department recommendation is to eliminate TANF funding. Many of these are previous GPR programs have been supplemented with TANF in previous biennia, as described above.

Therefore the Department requests total of allocations in s.49.175 of $606,249,200 in SFY04 and $598,285,900 in SFY05 to fund the programs related to the TANF block grant and the CCDF block grant.

II. Background

The following table shows the projected revenues for the Department's TANF related programs through the biennium:

Revenues	**SFY04**	**SFY05**
Child Care MOE [Appr. (3)(cm)]	$25,054,100	$25,054,100
TANF Aids - MOE [Appr. (3)(dz),(e),(em)]	$132,795,800	$132,795,800
CCDF - Fed [Appr. (3)(mc),(md)]	$83,815,400	$83,815,400
TANF - Fed [Appr. (3)(mc),(md)]	$315,776,800	$315,776,800
FSET – Federal [Appr. (3)(ps)]	$4,406,300	$4,406,300
Collections & Repayments–PR [Appr.(3)(k), (jL), (L), (Lm)]	$21,944,300	$20,944,300
Carryover from Prior year	$37,949,700	
Total TANF Revenue available	**$621,742,400**	**$582,792,700**

Child Care MOE
A requirement of the Child Care Development Fund (CCDF) block grant is that the State spend at least $16,449,400 each federal fiscal year (FFY) as a maintenance of effort (MOE) toward the child care programs. This amount is GPR represented in Appropriation (3)(cm) [numeric 305]. The remaining $8,604,700 is needed to match the State's Federal matching allocation and maximize federal child care dollars available.

TANF – MOE
The TANF program requires states to spend 75% of the GPR amount spent in FFY94 on Title IV-A programs as a maintenance of effort toward the TANF programs. In Wisconsin, the MOE amount is $167,946,000 each FFY. $6,250,000 of that amount is provided by expenditures on AODA Services, Funerals/Burials, and Food Stamps for Qualified Aliens in the Department of Health and Family Services (DHFS). Additionally, the Child Care MOE (see above) also counts toward the TANF MOE requirement. The remainder is represented as GPR in Appropriations (3)(dz) [numeric 315] and PR-O in (3)(jL) [numeric 323].

CCDF – Fed
The Department receives significant federal funding for the purpose of subsidizing the costs of child care for low-income families and improving the quality and supply of child care available.

The Department estimates that in each fiscal year it will receive $24,511,351 in "Mandatory" funds that must be used for subsidy programs, $28,299,387 in federal "Match" funds that are drawn based upon state and local expenditures, $31,004,615 in anticipated "Discretionary" funds that will be used for subsidies and quality/supply programs. These revenue amounts are the projected FFY2003 award levels. These funds are represented as PR-F in Appropriations (3)(mc) [numeric 345] and (3)(md) [numeric 347].

TANF – Fed
After reductions for Federal Tribal TANF, the State will receive $315,776,800 per year in federal TANF funds. This amount is based upon the current TANF block grant, which is currently pending reauthorization. The level of funding is assumed to remain at its current level through the biennium. These funds are represented as PR-F in Appropriations (3)(mc) [numeric 390] and (3)(md) [numeric 391].

FSET – Fed
The Department projects that it will receive $4,406,300 in each fiscal year for the local administration of the Food Stamp Employment and Training program, which is administered by the W-2 agencies. These funds are represented as PR-F in Appropriation (3)(ps) [numeric 358].

Carryover from Prior Year
This represents the total amount of unspent TANF – Fed that is estimated to be available at the beginning of SFY04 prior to incorporating the annual TANF grant amount. This is also sometimes referred to as the Unappropriated TANF balance. During many of the first five years of TANF this amount was much higher due to the slow starting programs and change from AFDC to TANF dollars. Due to the much higher unappropriated balance, in recent biennia, many new programs sought TANF funds to supplant GPR where TANF eligible participants were involved. During the 04-05 biennium, the expenditures from these new programs are directly related to the creation of the $94 million TANF structural deficit.

Allocation Structure
The programs funded by the above revenues are listed with specific allocation levels in s.49.175. The following section discusses those allocations for which the Department is requesting a change in funding or, where necessary, renewal of the base funding level.

III. Analysis

W-2 Benefits
Current funding for W-2 benefits (based upon the 02-03 contracts) is $49,309,600 per year. It is recommended that this amount be increased to $57,495,800 for the next round of contracts (04-05). The $54,273,100 SFY04 allocation consists of the final 6 months of benefits for the 02-03 contracts ($25,525,200) and first 6 months of the 04-05 ($28,747,900); and $57,495,800 in SFY05 for benefits.

W-2 Administration
Current funding for W-2 Administration and Ancillary Services is mixed. To facilitate more effective and efficient contract methods, the Department requests separate statutory allocations in

s.49.175 (1). The SFY04 allocation of $22,276,200 is equal to the final 6 months necessary for the 02-03 contracts and the first 6 months of funding for the 04-05 contracts. $23,576,000 is requested to fund W-2 Administration for SFY05. This includes an estimated 5% ($1,178,800) withheld from W-2 Administraion allocations to be earned in CY04 and awarded in CY05 based on performance measures. (see DIN 5609 re: W-2 Contract Changes)

W-2 Services
Current funding for W-2 Administration and Ancillary Services is mixed. To facilitate more effective and efficient contract methods, the Department requests separate statutory allocations in s.49.175 (1). The SFY04 allocation request of $77,737,000 is equal to the final 6 months necessary for the 02-03 contracts and the first 6 months of funding for the 04-05 contracts. $83,374,200 is requested to fund W-2 Services for SFY05. This includes an estimated 2% ($3,224,400) withheld from the entire W-2 contract amount to be earned in CY04 and awarded in CY05 based on performance measures. (see DIN 5609 re: W-2 Contract Changes)

Performance Bonuses
This bonus is payable to W-2 agencies based upon established performance criteria in their contract. Currently, the potential bonus is 4% of the total W-2 contract allocation for each agency. The bonus will not be paid to agencies until the close of their current W-2 contract and thus needs to be budgeted in SFY04. The proposed bonus level for the next W-2 contract is $11,882,500 and is budgeted in SFY03. Beginning with the 2004-2005 W-2 contracts Performance Standards will be measures annually and successful achievement of those standards will be awarded in the following year as described in the requests for W-2 Administration and W-2 Services.

Community Reinvestment
Act 16, the 01-03 biennial budget, removed authority to award Community Reinvestment (CR) earned during the 2002-2003 W-2 contract period. The SFY04 funding request of $2,213,800 is the remaining unallocated CR earned from the 2000-2001 contract period and includes an earmark of $656,000 to be provided for Milwaukee County as a result of the CR earned by the former W-2 agency ESI, Inc.

Employment System Access Coordination
For a description of the ESAC role in improving access to possible W-2 participants, see Decision Item 5609. The Department requests an allocation of $750,000 in each SFY.

Independent Participant Advocate
For a description of the IPA role in improving services for W-2 participants, see Decision Item 5609. The Department requests an allocation of $300,000 in each SFY.

Job Retention Bonuses for W-2 participants
The Department proposes a new allocation in s.49.175 to provide rewards to W-2 participants who successfully complete consecutive 30, 90 and 180 day periods of employment. A maximum award of $300 would be provided to participants following the completed 180-day period. Initially, payments can be made manually and participants can be identified on the CARES system. Eventually, payments may be made via the CARS reimbursement system utilized for

W-2 contracts. The Department requests funding of $2,500,000 for a 12 month trial period for SFY04. Future requests will no longer require new statutory authority (see statutory modifications for DIN 5608) but rather only new funding authority. Thus, future requests would be made in the event of Federal High Performance Bonus awards.

Prior W-2 and related Contracts
Due to the Department's allowable encumbrance authority there is no additional allocation required for SFY04.

W-2 Contingency Fund
The Department does not request any allocation for Contingency Funds.

State Administration
State administration of the TANF-related programs is funded primarily through Appropriation (3)(mc) [numeric 390]. This amount covers the costs of state salaries, supplies and services, financial oversight and administrative contracts (e.g. CARES) that are attributable to the TANF related programs.

The amount requested for administration has increased meagerly due to the related Decision item for appropriation and position restructuring. These costs are included in the State Administration allocation for TANF and CCDF appropriations [(3)(mc)]. It is estimated that $427,700 will need to be added to the State Administration allocation in SFY04 and SFY05. The total allocation requested is $25,066,800 in SFY04 and SFY05.

Food Stamps for Legal Immigrants
Act 16, the 03-05 biennial budget, transferred revenues and authority to implement FS for Legal Immigrants to the Department of Health and Family Services (DHFS).

Emergency Assistance
Due to the Departments decision regarding the estimated $94 million structural deficit facing the State's TANF programs and funding availability, an allocation for Emergency Assistance is not requested.

Funeral Expenses
In a Decision Item prepared by DHFS, a request has been made to transfer revenues to the Department of Health and Family Services (DHFS) as the agency responsible for implementing the Funeral Expenses program.

Children First
The Children First program is a work program designed for non-custodial parents who are in arrears in meeting their child-support obligations. The GPR funds spent for this program count toward the State's TANF-MOE requirement. Currently, the program is funded at a base of $1,140,000 GPR per fiscal year. In a related Decision Item (see DIN 5605) the Department requests and additional $3,000,000 per fiscal year in Federal TANF funds to more effective serve the non-custodial parent participants of Children First. Thus, the Department requests $4,140,000 in each SFY.

Child Support Payments
Expenditures for Child Support Payments, like revenue projections for Child Support Collections, are estimates. Payments reflect the federal share of collections and amount of assigned collections that are passed through to the W-2 participants and are essentially considered sum sufficient. The Department estimates $16,517,000 for SFY04 and $15,927,000 in SFY05.

Job Access Loans
Job Access loans are no-interest loans made by W-2 Agencies to participants for addressing short-term workplace needs. Examples include loans for uniforms, boots, tools, auto repairs, etc. This program has been popular among the local W-2 agencies as a means of overcoming short-term barriers that participants might face in attaching to the workforce. Unfortunately, due to the Departments decision regarding the estimated $94 million structural deficit facing the State's TANF programs and funding availability, an allocation for Job Access Loans is not requested.

Direct Child Care
Direct Child Care refers to a program providing child care subsidies to low-income families. The funding is a combination of Child Care MOE (appropriation (3)(cm) [numeric 305]), CCDF-federal (appropriation (3)(md) [numeric 347]), TANF-MOE (appropriation (3)(dz) [numeric 315]), and TANF-federal (appropriation (3)(md) [numeric 391]).

The cost of providing child-care subsidies has risen dramatically over the past few years. However, trends during the 03-05 biennium indicate a slowing growth rate. The current base in SFY03 is $305,550,000. The Department requests no additional funding and recommends allocations of $305,550,000 for each SFY.

Indirect Child Care
Indirect Child Care refers to the cost of state administration, federal earmark programs, and quality/expansion grants to local agencies that are related to the provision of child care. The funding for indirect child care is through appropriation (3)(mc) [numeric 345]. Due to the rapid growth of the direct child care subsidy program, called Wisconsin shares, the indirect child care programs for quality improvement and availability have exceeded the federal requirement to spend 4% of State child care funds on quality improvement.

The Department supports funding greater than the 4% federal requirement however, due to the estimated $94 million TANF structural deficit, is forced to recommend a reduction for indirect child care funding. The current SFY03 base is $15,548,000 year, which includes $4,410,500 in federal earmarks. The Department requests $10,741,100 in SFY04 and $10,760,900 in SFY05.

Early Childhood Excellence Initiative
This grant program is intended to develop early childhood centers for TANF-eligible children under age five. Centers that receive these grants are required to emphasize stimulation of the child's language skills and senses of vision and touch. In SFY03 Early Childhood Excellence grants were allocated $2,750,000. Due to the estimated $94 million TANF structural deficit, the Department requests funding of $1,483,800 in SFY04 and $1,464,000 in SFY05.

Local Pass Through Funds for Child Care
Local governments benefit from this program that allows them access to federal CCDF funds by spending local match dollars. The SFY03 base for Local Pass Through Grants equals $17,253,200. The funds claimed through this program are federal matching funds that the state would not otherwise claim due to lack of GPR match available. The Department supports continuation of this program and requests an allocation of $6,026,800 in each SFY.

Workforce Attachment and Advancement
The Workforce Attachment and Advancement (WAA) program provides funding to W-2 agencies and Workforce Development Boards for providing attachment and advancement services to low-income working families. WAA is a valuable next step for many participants following their completion of W-2 and striving to advance in the workforce. As a result of reduced funding in Act 16, the 03-05 biennial budget, the SFY03 allocation of $7,842,200 was encumbered for an 18 month period. To maintain this level of funding on an annual basis, the Department requests funding of $5,228,100 in each SFY.

Transportation
Currently, $900,000 is provided in SFY03 for transportation services to TANF eligible participants needing access to employers. However, due to the Departments decision regarding the estimated $94 million structural deficit facing the State's TANF programs and funding availability, an allocation for Transportation is not requested.

Literacy Initiative
This program provides grants to local organizations for the provision of literacy services. $800,000 is allocated in SFY03. However, due to the Departments decision regarding the estimated $94 million structural deficit facing the State's TANF programs and funding availability, an allocation for Literacy Initiatives is not requested.

Community Youth Grants
Community Youth Grants total $600,000 in SFY03 and are provided to local agencies and are intended to provide education, training, and family preservation services to TANF-eligible youth. However, due to the Departments decision regarding the estimated $94 million structural deficit facing the State's TANF programs and funding availability, an allocation for Community Youth Grants is not requested.

Other State Agency Programs
The remainder of the TANF-related programs are allocated to other state agencies. Based on the Department's decision to eliminate the estimated $94 million TANF structural deficit without asking for GPR increases, following are the funding recommendations for other state agencies receiving TANF funding in SFY03. The recommendations below keep with the Department focus on core programs that best fulfill the 4 Federal TANF guidelines for spending as well as the Department's Strategic Goals.

Agency	Program	SFY04	SFY05
DHFS	Kinship Care	$24,718,400	$24,718,400
	SSI Caretaker Supplement	$21,362,500	$20,426,500
	Services for Domestic Violence Victims	$0	$0
	TANF State Admin. for Coordination with Milw. Co. Child Welfare Office	$0	$0
	Child Welfare Prevention Services		
	Child Welfare Safety Services	$0	$0
	Services to Prevent Child Abuse and Neglect	$0	$0
	Immunization	$0	$0
	Transfer to Social Services Block Grant	$0	$0
	Nutritional Programs	$0	$0
DHFS and DOA	Adolescent Pregnancy Prevention Services	$0	$0
DOR	EITC Tax Credits for Low Income Working Parents	$13,481,400	$13,481,400
DPI	Head Start Expansion	$0	$0
	Service to TANF Children in Milwaukee Public Schools	$0	$0
DMA	Volunteer Opportunities for Youth (Badger Challenge)	$0	$0

IV. Statutory Language

See Statutory Language Change requests.

V. Internal and External Impact

This request will empower the Department to efficiently and effectively meet the needs of low-income working families by addressing the vast array of barriers to workforce participation. The request preserves the programs identified by the Department as "core" to the State TANF plan while eliminating the estimated $94 million TANF structural deficit.

FISCAL SUMMARY

	2003-04	2004-05
TOTAL COST	$(48,281,800)	$(57,245,100)
X Ongoing	$(31,685,500)	$(57,245,100)
X One-time financing	$(16,596,300)	$0
Positions	0.00	0.00

DIN 5609 Narrative: Wisconsin Works Contract Changes and ESAC/IPA

The department requests several statutory changes to the Wisconsin Works (W-2) program to improve contracts and services for the January 1, 2004 – December 31, 2005 period. Changes to the following key areas will improve the coordination and implementation of W-2 services and support a merged service delivery system:

1. Selection of Service Providers: Right of First Selection (RFS), Competition and Certification
   - sunset current Right of First Selection with 2002-03 contracts. Sunset effective date: 12/31/03
   - the Department proposes statutory language that will allow DWD to establish procedures for selection of W-2 providers, for the 2004-2005 contract period, on the basis of a certification or competitive process

2. Performance Standards and Rewards:
   - Amend statutory language to allow DWD to measure performance by W-2 participants' Earnings Gain
   - Directly tie the agency W-2 allocation to the reward and achievement of the earnings gain performance measure
   - Rewards will be provided annually for agencies reaching earnings gain performance standard and awarded as addendum to the W-2 contract
   - Allocations for rewards earned in the January 1, 2004-December 31, 2005 contracts are included in s.49.175 (1) a and b as indicated in Decision Item Request 5608.

In 2001, the Secretary appointed the Milwaukee W-2 Advisory Panel to recommend changes to improve service delivery after evaluating client feedback from a public forum. The Panel was comprised of representatives from independent advocacy groups, state legislative staffs, regional business leaders, and public policy organizations. Below are recommendations from that Panel submitted by the Department for the 03-05 biennial budget.

3. Open District: ESAC and IPA
   - DWD is requesting statutory changes to create explicit authority for the Open District concept and allow Milwaukee participants to choose a provider from outside their home region but within Milwaukee County. The statutory language will also create the Employment Systems Access Coordinator (ESAC) and the Independent Participant Advocate (IPA).
   - The ESAC will serve as an access specialist, providing potential clients with neutral information to use in assessing whether W-2 or other programs might best meet their needs
   - The IPA will serve as a client advocate, performing an ombudsperson function internally when ongoing clients perceive difficulty in a relationship with the W-2 agency. The IPA complements the ESAC by performing mediation services and providing impartial information to clients already participating in the W-2 process.

4. Fair Hearing process and retroactive benefits for W-2 The Department requests statutory authority to:
   - Reinstate a fair hearing process under the W-2 dispute resolution process and retain the current policy of allowing W-2 agencies to resolve complaints through an informal pre-hearing conflict resolution process
   - Allow retroactive benefits for W-2 applicants

Details and descriptions of the allocations in this request can be found in the associated Decision Item Request Issue Paper.

DIN 5609 Issue Paper: Wisconsin Works Contract Changes and ESAC/IPA (Part 1)

I. Request/Objective

The following provides an analysis and recommendations for changes to four key elements of the W-2 contracting process to facilitate coordination of grant/contract administration and service delivery:

1. A. Selection of Service Providers – Right of First Selection

In accordance with Wisconsin Statutes, s. 49.143(1)(a)2, the Department may contract with a W-2 agency to administer W-2 if that agency has met the performance standards established by the Department during the immediately preceding contract period. This is known as Right of First Selection (RFS). RFS, in its current form, provides an obstacle to merging the previous DES and DWE contract/grant administrative systems and encouraging quality performance. It was a good way to get W-2 started, but has outlived its usefulness. Agencies are shown incentive to perform only as well as they have to in order to meet RFS and no better.

Thus, the Department requests statutory language changes to affect a sunset provision for Right of First Selection effective 12/31/2003.

1. B. Selection of Service Providers - Competition

The following existing statutes apply to the issues of Geographic Area Changes, Competitive Process Approval, and Performance Criteria

- s 49.143(1)(ar), the Department must award contracts on the basis of the Department's competitive process if the Department has changed the geographical area for a W-2 agency and regardless of whether the agency met the performance standards.
- s. 49.143(1)(a), the Department may award a W-2 contract on the basis of a competitive process approved by the Secretary of Administration.
- s. 49.143(1)(b), if no acceptable provider in a geographical area is selected under par. (a), the Department shall administer W-2 in that geographical area.
- 49.143(1)(a)1, the competitive process shall include cost and prior experience criteria.
- s. 49.143(1)(a)2, the Department may contract with a W-2 agency to administer W-2 if that agency has met the performance standards established by the Department during the immediately preceding contract period

DWS has used a very structured procurement process for W-2 that has created an intense workload on the Department. The pretext of a competitive selection process is redundant, and it has outlived its usefulness except in isolated instances. Agencies that will continue to contract with DWD should be certified as W-2 providers and focus on planning and implementing program improvements.

To this end, the Department requests statutory changes that will allow DWS to establish procedures for selection of W-2 providers that include a certification process for service deliverers, and when appropriate, a competitive process.

2. Performance Standards and Rewards

The following existing statutes apply to the issues of Performance Standards and Rewards

- s. 49.143(2), each W-2 contract shall contain performance-based incentives established by the Department.
- s. 49.143(3), The Department shall establish performance standards for the administration of W-2 If a W-2 agency does not meet the standards established under this subsection, the Department may withhold or recover any or all payment from the W-2 agency.
- s. 49.143(3)(3g)(a), The Department shall base any performance bonus calculation that it makes for W-2 agencies on all of the following performance criteria:
  1. The placement of participants in W-2 employment positions into unsubsidized employment, as defined in s.49.147(1)(c).
  2. Whether the placement under subd.1. is full time or part time.
  3. The job retention rate, as defined by the Department, of former participants in W-2 employment positions.
  4. Wages and benefits earned by former participants in W-2 employment positions.
  5. Appropriate implementation of W-2.
  6. Customer satisfaction.

(b) The department may not base any performance bonus payments on caseload decreases, or reduced spending by the Wisconsin works agency, that are not directly attributable to placement of participants in unsubsidized employment.

When W-2 was created, there was to be a risk/reward method that would encourage efficient and effective operation through an "entrepreneurial" model. The methodology used for the first 3 rounds of W-2 contracts has been to provide reimbursement for allowable costs during the term of the contract and then to provide monetary incentives (both restricted use and unrestricted funds have been utilized) in the following periods. The design of performance requirements has been to achieve consistency across the state, although some variations in size of agency are acknowledged.

Therefore, the Department requests statutory changes that will allow DWS to base performance standards based on measures of earnings gain for W-2 participants. This can be measured independently, i.e., using the UI wage reporting system instead of data entered by the agencies in CARES. Earnings gain reflects multiple outcomes including getting a job, staying employed and advancing.

Accordingly, the Department requests allocations for W-2 contracts during the period of January 1, 2004 through December 31, 2005 to reward W-2 agencies successful in achieving performance standards. (see Decision Item 5608)

Allocations for performance rewards will allow W-2 agencies to earn additional funds in two ways. First, the Department would withhold 5% of the agency's administrative full allocation as an agency performance reward to be provided the following year. The division would reward W-2 agencies based on the earnings gained by W-2 participants. If the agency meets the earnings gain standard, the agency will earn the remaining 5% of its administrative allocation. Second, the Department would provide an additional 2% of the entire contract allocation from year one, to the service delivery allocation for year two of the contract period. The 2% can be used to meet operating expenses, service delivery needs or may be retained for unrestricted use.

3. Establishment of Service Delivery Area

Wisconsin Statutes, 49.143 (6), states that the Department shall determine the geographical area for which a W-2 agency will administer W-2. Except for federally recognized American Indian reservations and in counties with a population of 500,000 or more, no geographical area may be smaller than one county. A geographical area may include more than one county. The Department need not establish the geographical areas by rule.

For the first 3 W-2 contracts, a geographic area was defined as a county, except in the case of a tribal reservation or in Milwaukee where it is a region as defined by the Department. Currently, the Department is in the process of developing an Open District concept in Milwaukee to allow for consumer choice. Therefore, the Department requests explicit statutory authority to implement and administer an Open District where W-2 participants, in Milwaukee County for example, have a choice of providers instead of only the one assigned to their region.

The basic premise of the Open District is that competition will motivate agencies to provide higher quality service, and will improve the effectiveness of the service delivery system in Milwaukee.

II. Background

A priority focus area of the Department is to create and implement, with local, state and federal partners, a customer-focused service-delivery model that integrates the administration of workforce services (i.e., TANF, WIA, Wagner-Peyser, Child Care Development Fund, etc.). This goal is the central reason for the merger of the Divisions of Workforce Excellence and Economic Support and the creation of the Division of Workforce Solutions (DWS). The recent completion of the transfer of Medicaid and Food Stamps to the Department of Health and Family Services further supports the fact that DWS is now a primarily work-program-focused organization. The goal envisioned when the merger was announced was that of bringing W-2 to the next level and merging services for this population group into an integrated employment and training delivery system in the state of Wisconsin.

III. Analysis

Current Wisconsin Statutes sections 49.143, 49.173 and 49.175 contain very specific language relating to the W-2 contracts. The merger has illuminated the need to address coordinating the contract/grant administrative procedures for all funds. The following key areas of the W-2 contracting process require statutory changes that would improve the coordination of contract/grant administrative procedures for all division funds and support a merged service delivery system. The key areas are as follows:

1. Selection of Service Providers A. Right of First Selection and B. Competition
2. Performance Standards and Rewards
3. Establishment of Service Delivery Area

The criteria for measuring the effectiveness of the change are:

Does the change:

- Support the administrative changes in service delivery being developed by the Division, including recommendations of the Milwaukee W-2 Advisory Panel
- Provide cost containment or savings
- Strike the appropriate balance between risks and rewards for service providers
- Result in more efficient/effective service
- Provide for feasible implementation

IV. Statutory Language

See statutory modifications request.

V. Internal and External Impact

The sunset of RFS and implementation of a competitive/certification process will allow the following benefits to be realized:

- Current W-2 service deliverers will not have Right of First Selection for program contracts effective January 1, 2004.
- The division's contract/grant administrative systems can be developed and implemented without the constraint of Right of First Selection.
- Local areas can provide input to changes in the service delivery system and contract/grant administrative systems without constraints of Right of First Selection.

DWD views the Open District as essential to ensuring individual choice on the road to economic stability, and the creation of client access and advocacy services as the most effective means of fulfilling that obligation.

DIN 5609 Issue Paper: Wisconsin Works Contract Changes and ESAC/IPA (Part 2)

I. Request/Objective

Since its inception in 1997,W-2 has received nationwide attention as an innovative welfare reform program that focuses on individuals' unique needs for achieving successful employment. Lengthy operations experience, outside evaluations and the work of the Milwaukee W-2 Advisory Panel now point towards the need to improve service at two critical points in the W-2 process:

1) at the moment a potential client enters the door of a W-2 agency, and
2) when, on an ongoing basis, the client feels that the system is not adequately addressing his/her unique needs.

The present system does not always offer opportunities for remedying these shortcomings because W-2 employees encounter a conflict of interest between representing their employer and working for a consumer's best interests. To rectify this problem in the heavily trafficked Milwaukee County W-2 agencies, the Department proposes implementation of three new efforts to take W-2 to the next level. At the heart of this program lies the open district concept (see Decision Item Request 5609 re: W-2 Contract Changes). To improve program services and ensure quality outcomes in Milwaukee County, the Department is developing a system of genuine customer choice. Under this system, any potential participant can pursue services through any W-2 agency and can choose to switch his/her service delivery to another agency at certain points in the service delivery continuum.

Because W-2 is a program that assumes a high level of responsibility on behalf of the consumer, the Open District can only be effectively instituted with tools designed to protect customers. Because they provide consumers with access to neutral information and independent advocacy services, the Employment Systems Access Coordinator (ESAC) and the Independent Participant Advocate (IPA) provide the crucial infrastructure necessary to support the operation of an Open District. Because clients will have resources for navigating through the system, and advocates to assist them with difficulties, they will be able to make decisions in a conflict free environment.

<u>The Employment Systems Access Coordinator</u>

In each Milwaukee W-2 office, the Employment Systems Access Coordinator will serve as the potential participant's first point of contact. ESACs will provide participants with neutral employment and public assistance information – ensuring that the participant's need for impartial information is paramount, not the W-2 agency's interest in enrolling eligible persons. Any discussions at this level will be to perform initial screenings for eligibility in various programs, including W-2. A potential participant meeting with an ESAC could expect to discuss the following issues without a slant towards his/her eligibility for W-2: employability, work history, education, AODA, mental health and domestic issues, benefits, and available public assistance services for the client situation described. A potential participant is thereby given the tools to make a self-determination about the next step, whether it includes W-2 or not.

In performing this role, the ESAC interfaces with other income maintenance and social service programs. The ESAC serves as a neutral 3rd party, ensuring the existence of an open door, and real consumer choice.

<u>The Independent Participant Advocate</u>

The Independent Participant Advocate (IPA) complements the ESAC by performing mediation services and providing impartial information to those already participating in the W-2 process. As a "troubleshooter," each IPA would help mediate disputes between customers and agencies. Participants could quickly and easily contact the IPA on demand, who would impartially inform them of their options when they request help. The IPA would assist participants during sanctioning or placement disputes, and help clarify reasons for a monetary sanction or disputed placement. Essentially, the IPA would explain rights and responsibilities, and provide information to participants making decisions about their W-2 participation. IPAs will also analyze program outcomes to identify areas for program reform, particularly in terms of client-agency conflicts.

In addition, the IPA will perform the following functions:

- Survey participants to measure satisfaction with the services provided by the IPA;
- Develop reports that describe issues identified by the IPA that should be addressed by policy, training and/or contract manager;
- Provide assistance in preparing and filing complaints, grievances and appeals;
- Provide negotiation services during the conciliation process;
- Serve as a witness for the participant in Fact Finding reviews; and
- Investigate and identify possible failure to serve violations and make recommendations, based on their findings, to the Contract Manager.

To implement the ESAC and IPA roles the Department requests funding that coincides with the W-2 contracts beginning January 1, 2004 and ending December 31, 2005. See Decision Item Request 5608 for specific statutory authority requested for allocations.

II. Background

In 2001, the Secretary appointed the Milwaukee W-2 Advisory Panel to recommend changes to improve service delivery after evaluating client feedback from a public forum. The Panel comprised representatives from independent advocacy groups, state legislative staffs, regional business leaders, and public policy organizations. It found that:

- W-2 customers were assigned to the agency they initially contacted for public assistance according to where they lived.
- Customers could not decide how best to proceed through W-2 on their own terms because it locked them into a specific agency.
- Information seemed restricted to customer eligibility for W-2, rather than expanded to include other forms of self-sufficiency resources, such as those accessible at Job Centers.
- W-2 could not resolve complaints and conflicts without a programmatic bias in favor of the agency.
- Customers do not generally have recourse through an advocate to settle disputes. Instead, they may argue their cases without sufficient information about resources or procedures.
- W-2 customers stated agency employees did not offer services for which they are eligible, even to those for whom core W-2 services might work best by complementing alternative sources.

III. Analysis

These findings indicate that to some extent a W-2 customer wants to determine how and where to achieve his or her own idea of success. Moreover, the Panel findings illustrate the need to change how agencies help customers access all the services available through W-2. Customers currently perceive that participating in W-2 restricts their freedom to choose other available resources, thus dissuading some from seeking W-2 services. Even a person successfully participating in W-2 may find it necessary to resolve conflicts between his or her specific needs and what the agency decides is "best."

IV. Statutory Language

See statutory modifications request for DIN 5608: TANF/CCDF allocations

V. Internal and External Impact

This request will allow the Department to more effectively meet the needs of W-2 participants as the development of the Open District and service delivery initiatives continues.

DIN 5609 Issue Paper: Wisconsin Works Contract Changes and ESAC/IPA (Part 3)

I. Request/Objective

The Department requests statutory authority to reinstate a fair hearing process under the W-2 dispute resolution process and retain the current policy of allowing W-2 agencies to resolve complaints through an informal pre-fair hearing conflict resolution process as well as the statutory authority to allow retroactive benefits for W-2 applicants.

The recommendations to restore the fair hearing process and allow retroactive benefits were also suggested by the Milwaukee W-2 Advisory Panel.

The Department supports reinstating a fair hearing process under the W-2 dispute resolution process. In addition, the Department will retain the current policy of allowing W-2 agencies to resolve complaints through an informal pre-fair hearing conflict resolution process. The reasons for this are:

- This will help avoid costly and time consuming formal actions. Under AFDC, the average time for a fair hearing decision was four months and the average time for a fact finding is thirteen days.
- Gives W-2 agencies the ability to resolve problems as close to the participant as possible. According to the W-2 agencies, specifically those in Milwaukee, they are able to resolve about 90% of the complaints they receive without the formal fact-finding process.
- Process continues to mirror the real world of work by first allowing "employees" and "employers" to work out their differences.

II. Background

The W-2 dispute resolution process has two levels of review. The first level of review is called a Fact Finding Review. Individuals who believe that an agency decision regarding any component of W-2 (e.g., employment positions, Job Access Loan, Child Care, Learnfare, Emergency Assistance) is incorrect may request a Fact Finding review by the W-2 agency within 45 days of the agency's decision.

Each W-2 agency must have at least one individual assigned to complete Fact Finding reviews. The fact finder must be neutral and provide an objective review and decision on the Fact Finding request. The fact finder meets with the participant, a representative for the participant (if he or she wishes to have one), and an agency representative. At the fact finding, the participant can present written information that he or she believes is relevant to the decision. The fact finder listens to both sides, reviews the information and gives a written decision based on state law and W-2 policies. If the applicant, participant or W-2 agency disputes the fact finder's decision, they can appeal to a higher level for review. The second level review is completed by the Department of Administration, Division of Hearings and Appeals (DHA). This review is a limited review of the record and the decision of the fact finder.

III. Analysis

If an applicant is denied eligibility or placed in an inappropriate W-2 employment position, the remedy is ***not*** retroactive. Rather, the individual has to be placed in the first available employment position that is appropriate and becomes eligible for payment beginning on the date the individual begins participation. For participants, W-2 payments are not continued pending the Fact Finding decision, with the exception of requests for a Fact Finding Review within 10 days of notice due to a Learnfare penalty. However, benefits are retroactive back to the date of the modification, miscalculation or cancellation of the benefit.

IV. Statutory Language

See statutory modifications request.

V. Internal and External Impact

For participants, the fair hearing process will give the impression of being more neutral. However, great care should be taken in making sure that the fair hearing process does not delay decision making. Under AFDC, it took as long as four months to make decisions due to the backlog of cases. If the agencies have an effective pre-hearing resolution process in place, this may prevent delays.

Because most agencies have an informal process in place to resolve issues prior to a formal fact finding, a pre-fair hearing conflict resolution process will not affect the W-2 agencies' workload considerably. This suggestion may, however, eliminate the need for a fact finder (FF) in each agency. Of course, it is possible that the agency could work the FF into its issue resolution process, but eliminating a formal process may decrease their workload. However, for those cases that are not resolved internally, agencies may have staff spending additional time out of the office at fair hearings.

DIN 5610 Narrative: Wisconsin Works Statutory Changes

The department requests five statutory changes to the Wisconsin Works (W-2) program to improve implementation and service to participants.

1) Incentives for W-2 CMC (Caretaker of Newborn) participants: Help W-2 providers manage CMC's differently and provide an incentive for the parent to return to work sooner and prevent the need for future services.
2) Electronic Funds Transfer (EFT) for W-2 Benefits: Allow the Department to require that W-2 participants who receive cash benefits receive them through electronic funds transfer and allow payments to be made to participants 2 times each month. EFT will also promote the financial education of participants.
3) Case management eligibility change for Non-custodial parent (NCP): Change removes the restrictions on non-custodial parent (NCP) eligibility for case management services in W-2 that require the NCP to be the counterpart of a current W-2 participant.
4) Definition change for Dependent Child: This change will make W-2 consistent with the Federal definition and allow students under 19 to complete school without being required to complete their W-2 program simultaneously.
5) Align W-2 60-month clock with Federal TANF 60-month clock: Currently some types of Temporary Aid for Needy Families (TANF) assistance provided under W-2 may count toward the federal 60-month time limit and not toward the state 60-month time limit, e.g., some CMC payments. The reverse may also be true in that some types of assistance may count toward the state 60-month time limit and not toward the federal 60-month time limit, e.g., Trial Job participation and $0 payments. This change will make administration of W-2 less complicated.

DIN 5611 Narrative: Tax Intercept for Job Access Loan Pogram

The Department requests a statutory change to allow tax intercept for Job Access Loans (JAL). Currently, s.49.85(1) Certification of certain public assistance overpayments, provides for tax intercept of AFDC, Child Care, Wisconsin Works (W-2), W-2 Trial Job overpayments, and W-2 Transportation Assistance. It does not include s.49.147(6) for intercept of Job Access Loans. Under Wis. s. 20.445(3)(jL), all moneys received from repayments of Job Access Loans should be used for the purpose of making new loans.

DIN 5612 Narrative: JobRide

The Department requests a statutory change to allow Employment Transit Assistance Program (JobRide) funds to be co-mingled with federal WETAP funds to allow additional draw down of federal funds and to eliminate the following outdated statutory requirements that apply to the employment transit assistance program:

a) All jobs accessed by the program must pay at least $4 per hour.

b) Fares charged under the program must not exceed $2 per one-way trip
c) Employers must pay at least 50% of the cost per one-way trip for their employees who participate in the program.

DIVISION OF VOCATIONAL REHABILITATION:

DIN 5701 Narrative: Preserving Program Resources for the Division of Vocational Rehabilitation (DVR)

The department is requesting the following changes in four alpha appropriations:
- Modify appropriation s. 20.445 (5) (a) from annual to continuing
- Create numeric appropriation 501 in s. 20.445 (5) (a) for the purpose of separating Title I-B match expenditures from non-Title I-B expenditures. This request includes transferring budget authority of $53,400 GPR from numeric appropriation 502 in s. 20.445 (5) (a) to numeric appropriation 501
- Transfer numeric appropriation 505 and 509 from s. 20.445 (5) (bm) to s. 20.445 (5) (a) and repeal s. 20.445 (5) (bm)
- Transfer numeric appropriation 543 and 544 from s. 20.445 (5) (na) to s. 20.445 (5) (n) and repeal s. 20.445 (5) (na)

Over 99% of the GPR funds appropriated to DVR are designated to match Wisconsin's Title I-B federal award. Under the current annual appropriation structure there are GPR lapses occurring each year that result in less GPR being available to use as match. One potential benefit from combining the division's GPR resources into a single continuing alpha appropriation is that more funds will be available for match, due to eliminating lapses, and this will directly reduce the department's reliance on third party cooperative agreements as source of match for capturing federal funds.

Past experience with the third party cooperative agreement funding mechanism has shown that as the proportion of match from cooperative agreements increases there is a greater need to reduce the caseload size so that it does not exceed the capacity of available funds to provide individualized services. Each year the federal Title I-B award increases. Preserving existing match resources is an important strategy for capturing Wisconsin's full annual federal Title I-B award

In combination these recommendations will provide Wisconsin with the same on-going flexibility that federal Title I-B funds have always had in terms of determining how much to expend on "operations" services versus "case-aids" services in any given year. From the federal perspective, both types of service are necessary parts of the same "program" and, as such, each state is given only one grant and then allowed to determine how much service to provide through state staff and how much service to purchase from outside vendors.

DIN 5701 Issue Paper: Preserving Program Resources for the Division of Vocational Rehabilitation (DVR)

I. Request/Objective

The department is requesting the following changes in four alpha appropriations:

- Modify appropriation s. 20.445 (5) (a) from annual to continuing
- Create numeric appropriation 501 in s. 20.445 (5) (a) for the purpose of separating Title I-B match expenditures from non-Title I-B expenditures. This request includes transferring budget authority of $53,400 GPR from numeric appropriation 502 in s. 20.445 (5) (a) to numeric appropriation 501
- Transfer numeric appropriation 505 and 509 from s. 20.445 (5) (bm) to s. 20.445 (5) (a) and repeal s. 20.445 (5) (bm)
- Transfer numeric appropriation 543 and 544 from s. 20.445 (5) (na) to s. 20.445 (5) (n) and repeal s. 20.445 (5) (na)

II. Background

DVR has three GPR numeric appropriations that, by statute, follow an **annual** state fiscal-year schedule for expending GPR funds that are used to match federal funds having a **two-year** federal fiscal-year schedule for expenditures. In an **annual** appropriation any funds not committed by the end of the 12-month fiscal year "lapse" and are no longer available. Note: DVR's Case Aids GPR appropriation does include a provision that gives an additional 3 months to encumber funds. The table below shows DVR's annual Total GPR Lapse since DWD was formed.

	SFY97	SFY98	SFY99	SFY00	SFY01	SFY02
Total GPR Lapse	$32,208	$141,565	$19,410	$36,975	$37,989	$203,395

As the table above illustrates, the largest lapse to date occurred in SFY02. The final SFY02 lapse amount consists of: $157,592 Perm Salary + $22,356 Fringe + 23,447 Prior Year Refunds = $203,395 GPR. In the previous two fiscal years DVR was allowed to transfer their Salary & Fringe surplus at the end of the year to pay Supplies and Service costs for field staff. When this type of "surplus" match funding is not available, DVR uses Social Security Reimbursement revenue to cover year-end operations costs. In SFY02 all state agencies were prohibited from transferring GPR salary and fringe dollars, and therefore, for DVR, a large lapse occurred.

For the Prior Year Refund category the typical circumstance generating this type of lapse is when a consumer or vendor sends a refund to DVR/DWD after the fiscal year of the original transaction has closed. The most common reason for a refund to be made to DWD is when a consumer returns funds to the department after dropping out of the program. And occasionally vendors will report a service-related reason that requires them to send a refund to the department. In either case, state accounting rules require annual appropriations to lapse Prior Year Refunds. From SFY97 to SFY02 the total annual Prior Year Refund lapse has ranged from between $4,398 to $37,989 per year.

Whenever DVR lapses GPR funds, whether the funds were originally authorized for salary, fringe or for case-aids services as in the case of most prior year refunds, the result is that less match funds are available to draw Wisconsin's federal Title I-B award. In the past the gap between match funds available and match funds needed to draw the full federal award has been filled through the use of third party cooperative agreements. In this process DVR contracts with state or local units of government for new and innovative services that fit the needs of DVR. The contract also stipulates that a cash match at the match rate of 21.3% will be provided to DVR. As the state or local unit of government provides the services and fulfills the conditions outlined in the cooperative agreements they receive the balance-due for services as a payment of their 21.3% match plus a 78.7% payment of federal funds from DVR. While the cooperative agreement process does provide a way for testing new service delivery options, it also has significant limitations due to the inherent geographic and disability-type restrictions that go hand-in-hand with the service delivery conditions of the agreements themselves. As an example, a contract for sign language interpretation services in a Beloit could be very good, but is also not helpful to a consumer in LaCrosse who needs assistive technology. Having too many cooperative agreement contracts ties up federal funds to the detriment of consumers needing more individualized services.

Past experience with the cooperative agreement funding mechanism has shown that as the proportion of match from cooperative agreements increases there is a greater need to reduce the caseload size so that the caseload does not exceed the capacity of remaining funds to provide the individualized services. In August of 2000 when DVR's Order of Selection (OOS) waiting list process was initiated the cooperative agreement match accounted for over 20% of the case-aids match dollars. The waiting list in August of 2000 had 3,812 individuals. The waiting list peaked at 5,030 people in January of 2001. As of August 2002 the waiting list is at 259 individuals and the level of cooperative agreement match is approximately 5% of the current year's case-aids match dollars.
By providing an appropriation structure that combines GPR resources in one continuing alpha appropriation the GPR funds appropriated for use in DVR can be preserved for use in the program. Any GPR funds preserved for use as match will directly reduce DVR's reliance on cash match from cooperative agreements.

Typically the Title I-B federal award increases by 1.9% annually. The table below shows the amount of New Match Needed each year to capture the annual federal increase. When the GPR lapse amounts from above are compared with the new match need amounts below it is clear that preserving match resources is an important strategy for capturing Wisconsin's full federal Title I-B award.

	FFY97	**FFY98**	**FFY99**	**FFY00**	**FFY01**	**FFY02**
New Match Need	$305,300	$310,900	$237,000	$277,200	$245,000	$254,792

III. Analysis

- DVR's has 2 annual GPR alpha appropriations that provide state match for "operations" costs like counselor salaries, supplies & services, rent etc. and "case-aids" costs like training tuition, equipment, transportation and other services that support a consumer's Individualized Plan for Employment (IPE). Both the Ops and the Aids services provided by DVR are an integral part of achieving successful employment outcomes.

- The Title I-B federal award does not have any regulatory requirements concerning how much funding should be used for "operations" services or "case-aids" services. From the federal perspective, both types of service are necessary parts of the same "program" and, as such, each state is given only one grant and then allowed to determine how much service to provide through state staff and how much service to purchase from outside vendors.
- From the federal perspective, any savings generated in operations are available for allocation to case-aids. But DVR's current appropriation structure requires that GPR ops savings remain in the operations appropriation.
- Each year some unspent GPR funds (typically salary and fringe) are lapsed (see above).
- Each year the amount of GPR match funds appropriated to DVR is insufficient to draw the full federal award. The resulting match gap is "filled" by securing cash match through 3rd Party cooperative agreement contracts.
- Since the federal award increases each year it means additional match funds are needed to draw the increased funding (see above). If new GPR is not added to the program it means (a) DVR will not draw the full award or (b) DVR will have to increase its reliance on match funds from 3rd Party cooperative agreements.
- By designating the Ops and the Aids appropriations as continuing it would eliminate the lapse requirement for unexpended funds and this would directly reduce DVR's reliance on 3rd Party cooperative agreements.
- By combining the Ops and the Aids appropriations in one alpha it would allow DVR to allocate savings generated in operations to case-aids and again reduce reliance on 3rd Party cooperative agreements.
- DVR's program meets all the criteria that typically call for establishing a continuing appropriation. (1) The Governor and Legislature are more concerned with the amount of funding appropriated, not whether an actual expenditure occurs before July 1 of a particular year. (2) The program being funded will be ongoing into the foreseeable future. (3) Demand for the program is either inexhaustible or it is not possible to fully fund the entire demand in a single year (e.g. a waiting list exists). And (4) the activities being funded (e.g. supporting an IPE) occur in two or more state fiscal years or it is difficult to predict the precise amount and timing of expenditures.
- Combining the operations and case-aids appropriations into one alpha could be criticized by some as allowing DWD an inappropriate level of discretion to augment "bureaucrats," travel, PC purchases etc at the expense of supporting "the program" and IPE's. The response to this perception is: (1) The operations and case-aids appropriations will retain separate numerics and all transfers between the two will require DOA approval. (2) This federally funded program depends on counselors and other staff to deliver the program – purchased services alone do not make "the program." (3) There are numerous Wisconsin precedents (DOT).

IV. Statutory Language

This request would require statutory changes to the appropriation language in Chapter 20. A separate description of statutory modifications is included with the department's BB 03-05 submission.

V. Internal and External Impact

Internal:

- GPR appropriated for matching the Title I-B federal award does not lapse
- Department is able to reduce reliance on third party cooperative agreement match sources
- Improved efficiency for managing state and federal funds

External:

- Stakeholders able to see resource preservation as a gain in funding stability
- Size of OOS waiting list can be kept at lower levels
- Time on OOS waiting list can be kept at lower levels

FISCAL SUMMARY

		2003-04	2004-05
TOTAL COST		$0	$0
X	Ongoing	$0	$0
	One-time financing	$0	$0
Positions		0.00	0.00

DIN 5702 Narrative: Transferring the Injured State Worker Program to the Department of Administration

The department requests that the 1.0 FTE PR Re-employment Specialist position in appropriation 567 and the current incumbent be permanently transferred to the Department of Administration. There have been two recent changes in the Division of Vocational Rehabilitation's (DVR"s) Title I-B program that would negatively impact the DOA re-employment program goals of a quick return to the same or similar type of work. These changes concern (1) the need to provide informed choice opportunities to consumers, so that the person with a disability is actively involved in determining the type of work they want to pursue and (2) the Order of Selection (OOS) conditions inherent to DVR's program.

Under OOS, if a person is determined to be eligible for the program and is also determined to have a less severe disability, they would be placed in category 3 of the OOS waiting list. At this time people placed in category 1 and 2 are immediately activated for services, but those in category 3 are placed on a waiting list until such time that resources are available. Based on past experience most injured state workers would fall in category 3 and thus be placed on a waiting list.

Both the informed choice change that could lead to pursing a new type of work and the use of the OOS waiting list place DVR's program goals in direct conflict with the DOA re-employment program goals of a quick return to the same or similar type of work.

Transferring the Injured State Worker program and incumbent to DOA will preserve the institutional knowledge developed by the incumbent and allow for efficient and cost effective delivery of services to those state employees who become injured on the job.

DIN 5702 Issue Paper: Transferring the Injured State Worker Program to the Department of Administration

I. Request/Objective

The department requests that the 1.0 FTE PR Re-employment Specialist position and incumbent for the Injured State Worker (ISW) program be transferred from DWD to DOA. This request also includes reducing PRS salary authority by (36,300) and reducing fringe authority by ($13,900). The supplies and services authority is being reduced by ($2,500) through DIN 6201.

II. Background

The DVR has operated the Injured State Worker re-employment program under contract with DOA for about 20 years. Currently, the Reemployment Specialist incumbent is assigned to DOA's Risk Management Program and funded through an interchange agreement with DOA. Terms of the agreement are based on the Worker's Compensation Act and call for the Re-employment Specialist to assist injured state employees to achieve an appropriate employment outcome as soon as possible. Under the Worker's Compensation Act priority is given to a quick return to the same or similar type of work while pursuing longer-term retraining is considered only as a secondary option. Each year the program has been successful at placing injured state employees in jobs that allow an early return to work.

Note: this interchange agreement began in November of 1999 and DOA has indicated that employee interchange agreements are limited to two years.

Two recent changes related to DVR services have made it impossible for DVR to continue to operate the ISW program for DOA. First, regulations for the Federal Rehabilitation Act have been modified to require that "consumers" (i.e. individuals with disabilities) must select a specific employment outcome that is based on their informed choice about available options. The newly modified "informed choice" requirement is in direct contradiction with the Worker's Compensation Act and its philosophy of a quick return to the same or similar type of work. Under the terms of the Rehabilitation Act, if an injured state worker is going to be a DVR consumer it means the worker must make an informed choice about the type of work or retraining they would like to pursue.

The second change that affects DVR services and effectively prevents DVR from operating the ISW program is the use the Order of Selection (OOS) process to manage DVR's resources by controlling the number of active consumers brought into the program for services. Currently, under OOS, if a person is determined to be eligible for the program and is also determined to have a less severe disability, they would be placed in category 3 of the OOS waiting list. At this time people placed in category 1 and 2 are immediately activated for services, but those in category 3 are placed on a waiting list until such time that resources are available. Based on past experience most injured state workers would fall in category 3 and thus be placed on a waiting list. The likelihood of spending time on a waiting list for DVR services is, again, in direct conflict with the quick return to the same or similar type of work goals of the Worker's Compensation Act.

These two changes, the need to provide informed choice opportunities and the OOS conditions inherent to DVR's program would negatively impact the DOA reemployment program goals.

III. Analysis

Given the differences in program goals, the department is requesting DOA to assume direct program responsibility for reemployment of injured state workers. The current incumbent has demonstrated strong skills in achieving DOA's goals by assisting agencies with developing their own return-to-work programs and conducting job analyses to assist in accommodating disabilities resulting from injuries on the job. DOA indicates that transferring the position and incumbent employee would be the most cost-effective way to provide injured state employees with reemployment services.

In DOA's 2001-03 biennial budget request, it proposed transferring the position and current incumbent employee to DOA. The Governor approved the transfer but JFC deleted the provision. DOA indicates that they still support the transfer for this biennial budget.

IV. Statutory Language

If the recommendation is approved, session law should be drafted to make the transfer and to ensure the incumbent rights to the position without a probationary period.

V. Internal and External Impact

Internal:

- The Division of Vocational Rehabilitation stays in compliance with Title I-B federal regulations.

External:

- Transferring the Injured State Worker program and incumbent to DOA preserves the institutional knowledge developed by the incumbent and allows for efficient and cost effective delivery of services to those state employees who become injured on the job.

FISCAL SUMMARY

	2003-04	2004-05
TOTAL COST	$0	$0
X Ongoing	$0	$0
One-time financing	$0	$0
Positions	-1.00	-1.00

DIN 5703 Narrative: Delete Unfunded Half-time PRS Position

The department is requesting that an unfunded 0.50 FTE PRS position in appropriation 567 be deleted. The position number is 314172 and is classified as a Program & Planning Analyst 3.

This position was originally developed to staff the Human Resource Investment Council. The council is no longer active and funding to support the position is not longer available. Deleting the position will make the Division of Vocational Rehabilitation's authorized FTE level more accurate.

DIN 5704 Narrative: Delete Unused Appropriation s. 20.445 (5) (hd) – Rehabilitation teaching aids

The department is requesting that appropriation s. 20.445 (5) (hd) – *Rehabilitation teaching aids* be deleted and that all references to it in Chapter 47 and others also be deleted.

The amounts in the schedule for s. 20.445 (5) (hd) are zero. There is reference to a transfer to be made to s. 20.435 (7) (kd) but because the amounts in the schedule for s. 20.445 (5) (hd) are zero, the transfer does not take place.

The source of revenue for s. 20.445 (5) (hd) is authorized at s. 47.03 (7) but all these revenues are needed to support activities of the Business Enterprise Program. Deleting the unused appropriation will eliminate potential confusion about what activities can be supported with the revenues collected under s. 47.03 (7).

DIN 5705 Narrative: Funding Match for Federal Award Increases

The department is requesting that a $25 surcharge be added to convictions related to operating a vehicle while intoxicated. All moneys received from the surcharge would be deposited in a new appropriation at s. 20.445 (5) (ip) – *Vocational rehabilitation programs and services.* The revenue would be designated for use in support of services provided by the Division of Vocational Rehabilitation (DVR).

This funding mechanism will enable the department to reduce reliance on third party cooperative agreements as a source of match funds by providing an on-going source of revenue that will be available for matching annual increases in DVR's federal awards. Revenue from the surcharge would have the same purchasing flexibility as GPR and would therefore be able to fund purchases that support case service needs for all types of disabilities throughout Wisconsin.

During the last two years DVR has managed their caseload through the federally authorized order of selection (OOS) wait list process. Experience has shown that a key factor in determining when people can be activated from the wait list is the availability of GPR-like funding. Revenue from the surcharge will provide the GPR-like funding that is critical to keeping the size of the OOS waiting list at lower levels and keeping time on the wait list to shorter intervals.

DIN 5705 Issue Paper: Funding Match for Federal Award Increases

I. Request/Objective

The department is requesting that a $25 surcharge be added to convictions related to operating a vehicle while intoxicated (OWI) and that the revenue be designated for use in support of services provided by the Division of Vocational Rehabilitation (DVR). This funding mechanism will enable the department to reduce reliance on third party cooperative agreements as a source of match funds by providing an on-going source of revenue that will be available for matching annual increases in DVR's federal awards. Revenue from the surcharge would have the same purchasing flexibility as GPR and therefore it would be able to fund purchases that support case service needs for all types of disabilities throughout Wisconsin.

II. Background

The primary source of funding for the Division of Vocational Rehabilitation is the annual federal Title I-B award. In FFY 2002 Wisconsin's federal award was $49,581,559. Under Title I-B a state must match the federal award at the ratio of 21.3% state funds to 78.7% federal funds. To draw the full FFY 2002 award of $49.6 million Wisconsin needs to secure $13,419,151 of match funding. DVR meets this match need through using a combination of GPR, Program Revenue from other state agencies and cash match revenue from third party cooperative agreements with other public entities.

While the majority of DVR's annual match need is met with GPR, each year the federal award has a cost of living increase that requires additional match funding. For both year one and year two of the current biennium DVR has been appropriated approximately $12.3 million GPR for use in matching the Title I-B award. An additional $350,000 is available from Native American Gaming funds and roughly $300,000 of Program Revenue is available from other long-term state agency service agreements. With this funding arrangement DVR's FFY 2002 unmet match need, or match gap, is approximately $400,000. At the match rate of 21.3% the $400,000 of match draws $1,478,000 FED and provides DVR with $1,878,000 All Funds. This current match gap, the lowest since DWD was formed on July 1, 1996, has been met through development of cooperative agreement contracts for cash match.

Each fiscal year the above scenario is repeated: a federal award increase is made available to Wisconsin, the increase requires new match and DVR meets the increased match need through the development of cooperative agreement contracts. For FFY 2003 the cost of living increase and other preliminary federal proposals could increase the match gap to as high as $981,000 (this equates to $4.6 million All Funds). In fact, over the three previous biennia, DVR has relied heavily on the cooperative agreement funding mechanism to fill the annual match gap as a means for capturing their full federal award.

When cooperative agreement contracts are developed, they stipulate that a cash match at the match rate of 21.3% will be provided to DVR. As the state or local unit of government fulfills the conditions outlined in the cooperative agreements they invoice DVR for the balance-due for services. DVR then makes a payment consisting of the 21.3% match funds plus a 78.7% payment of federal funds from the Title I-B award.

Federal regulations authorize the use of third party cooperative agreements as one mechanism to fund vocational rehabilitation services. One requirement for these arrangements is that they provide new services rather than typical services already available. DVR does use the cooperative agreement funding mechanism to test new service delivery options. But these third party agreements are not meant to be long-term arrangements. If the new service arrangement proves to be successful, DVR will then negotiate to purchase future services with their regular GPR supported funding.

In addition to the time frame constraint, cooperative agreement funding also has significant limitations related to geography and type of disability. The nature of a third party contract is that services are provided for a specific disability related need and they are available from a certain location or in a specific area. As an example, a contract to provide innovative mobility training services for visually impaired consumers in the Beloit area could be very good, but it is not going to benefit an individual consumer in LaCrosse who needs a purchase of assistive technology to obtain employment. Experience has shown that having too many cooperative agreement contracts can lead to a situation where the federal award is fully obligated, but not enough discretionary dollars remain available for implementing other case-specific needs as outlined in consumers' Individualized Plan for Employment (IPE).

III. Analysis

In the current biennium DVR received a $1,426,000 GPR increase in its annual case service budget. This GPR increase has allowed the Division to reduce reliance on third party cooperative agreement match funds because the GPR funding is not limited to certain types of disability or to specific geographic areas. As stated earlier, the current match gap is approximately $400,000 and the lowest since DWD was formed. It is clear, however, that this low match gap level is temporary. Based on current federal proposals, the federal Title I-B award is projected to increase approximately 6.9% from FFY01 to FFY03. Under the current match funding structure, this means DVR faces an estimated $981,000 match shortfall for FFY03.

The table below shows the amount of new match that is needed each year to capture the annual Title I-B federal award increase. Note that the FFY03 increase is an estimate. For FFY03 the estimate is based on the standard 1.9% cost of living increase plus a federal proposal to end the Supported Employment grant (currently 100% FED Funds) under Title 6 and roll the funding into the basic support grant under Title I-B.

	FFY98	FFY99	FFY00	FFY01	FFY02	FFY03
New Match Need	$310,900	$237,000	$277,200	$245,000	$254,800	$671,000

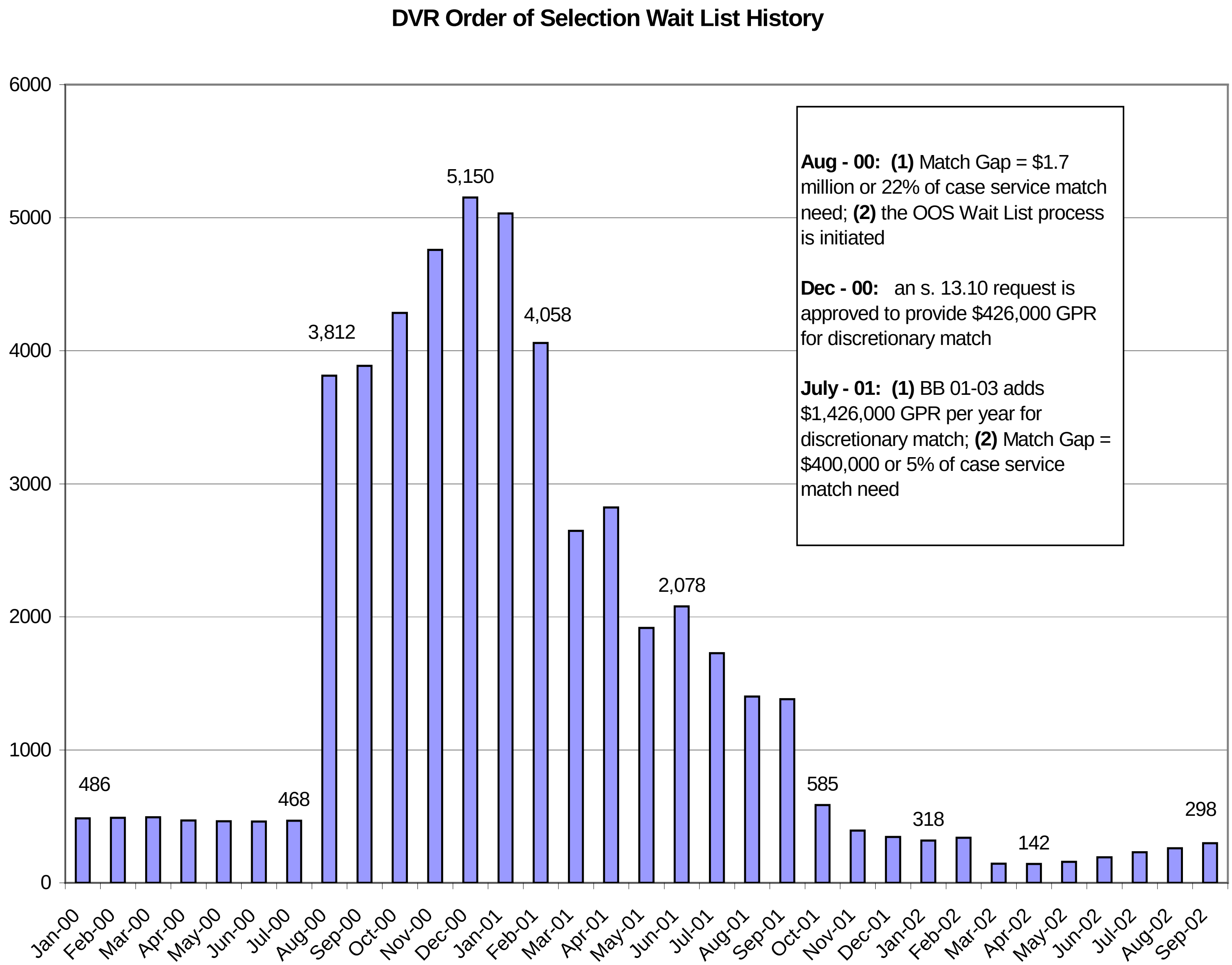
Over 55% of DVR's Title I-B state and federal funds are used to purchase services for DVR consumers through DVR district offices located in Job Centers throughout the state. These case service funds are allocated to the districts for use in implementing the Individualized Plan for Employment that each eligible consumer must develop.

All people who apply for DVR services are given an eligibility determination that establishes which order of selection category they will be placed in. Federal regulations provide the order of selection (OOS) waiting list process as the only means for restricting caseload size so that the number of eligible consumers does not exceed the capacity that staffing and financial resources can serve.

Wisconsin has established three OOS categories. People with the most severe disabilities are placed in Category 1 because they require multiple services over an extended period of time. Category 2 is for people with severe disabilities that require fewer types of service and a shorter time frame. And Category 3 is for all other people who have a disability that poses a limited barrier to employment.

Currently people who are determined eligible in Category 1 and 2 are able to receive services and begin developing an IPE without going on the OOS wait list. But, at this time, people who are determined eligible in Category 3 are being placed on the OOS wait list. Staffing and financial resources are reviewed monthly to determine if available resources are sufficient to allow applicants to be activated from the waiting list.

In Wisconsin the OOS waiting list process was initiated in August of 2000. Following is a chart that summarizes the recent OOS wait list history.



In July and August of 2000 the match gap was approximately $1.7 million ($8.0 M All Funds) or about 22% of the case service match need. When the OOS wait list was initiated there were 3,812 individuals who had not developed a finalized IPE and, therefore, were placed on the wait list. The waiting list peaked at 5,150 people in December of 2000.

During 2001 DVR received significant infusions of “discretionary” GPR funding (i.e. funding that can be spent on any vocational rehabilitation service in any location) and as a result, throughout 2001 it was possible to activate people from the waiting list in a fairly short amount of time. As of September 2002 the match gap stood at approximately $400,000 ($1.9 M All Funds) or about 5% of the current year’s case-aids match dollars and the waiting list had 298 individuals.

As resources became available, and people were activated and moved off the OOS waiting list, they entered DVR's active caseload. The active caseload has gone from a low of 15,689 in December of 2000 to 22,761 in September of 2002. With the increased number of active IPE's DVR has experienced an increase in the need for the discretionary type of purchases that GPR has supported. And it is anticipated that the caseload will continue to increase because DVR is seeing record numbers of new applicants.

During the first six months of 2002, a total of 10,308 individuals applied for DVR services. At this rate DVR could see close to 20,000 applications for services in one year. For comparison, during the last federal fiscal year (FFY01), a total of 12,385 individuals had applied for services. The number of active IPE's is also increasing and reached 14,693 during September 2002. In SFY02 the number of active IPE's averaged about 13,000 during each month. Since the vast majority of DVR's case service funding is spent on implementing active IPE's it is expected that the need for discretionary case service funding will be higher in the next biennium because of the increased number of applicants and the resulting increase in total active IPE's.

As noted above, more consumers are applying for and receiving services from DVR and the need for discretionary (e.g. GPR) supported purchases is growing. The use of third party cooperative agreements still has a role in DVR's service delivery structure, however, as outlined above, the nature of cooperative agreements is such that these funds can not be used to make the discretionary purchases needed by the majority of DVR's caseload. In response to the fiscal reality of cooperative agreement funding, the State Rehabilitation Council, as appointed by the Governor, has approved Wisconsin's Vocational Rehabilitation State Plan in which a cap on cooperative agreement funding is set at 10% of case services.

The department is seeking to generate an ongoing source of discretionary match funds by requesting that a vocational rehabilitation surcharge on OWI convictions be initiated. Revenue from an OWI surcharge would function in the same way that GPR funds are used and thus be available to make the discretionary purchases that support the majority of DVR's caseload. By securing a source of discretionary match, like an OWI surcharge, the department would be able to reduce reliance on cooperative agreement match as a means of capturing federal award increases. And, as the attached chart shows, the availability of discretionary funding is also a critical factor in determining when consumers can be activated from the OOS waiting list.

In Wisconsin the number of convictions for Operating While Under the Influence averages about 33,000 annually. A $25 surcharge would generate over $750,000 each year in match for DVR.

IV. Statutory Language

This request would require creation of a new appropriation in Chapter 20. The proposed appropriation, at s. 20.445 (5) (ip) – *Vocational rehabilitation programs and services*, would be used to receive revenue from the newly created $25 surcharge on convictions for operating a vehicle while intoxicated. The new vocational rehabilitation surcharge is separate from the existing driver improvement surcharge of $355 and is created at 346.655 (1) (b). Additional statutory changes related to the collection of funds by the clerk of courts and the transfer of funds to the state treasurer are outlined in the attached preliminary draft from the Legislative Reference Bureau.

V. Internal and External Impact

Internal:
- Department is able to reduce reliance on third party cooperative agreements as a source of match
- Increased discretionary match funding improves the department's ability to draw federal funds through greater control over expenditures

External:
- Stakeholders able to see an on-going state-wide commitment towards funding stability
- Size of OOS waiting list can be kept at lower levels
- Time on OOS waiting list can be kept to shorter intervals
- Wisconsin clerks of court will have one additional surcharge to collect and transfer to the state treasurer

FISCAL SUMMARY

		2003-04	2004-05
TOTAL COST		$300,000	$300,000
X	Ongoing	$300,000	$300,000
	One-time financing	$0	$0
Positions		0.00	0.00

DIVISION OF ADMINISTRATIVE SERVICES:

DIN 5501 Narrative: PR-S Appropriation Language Change

The Department requests changes to the statutory language for appropriation s. 20.445(1)(kc) Administrative services (program revenue – service) to reflect all moneys received and change the appropriation type from annual to continuing, so that unspent funds can be carried forward. The PR-S fee is the departments' means of support for information technology, finance, procurement, human resources, strategic planning, administrative support, and budgeting activities.

The current statutory language limits the amount that may be spent for administrative and support services to the amounts in the schedule and designates the appropriation type as annual. Limiting departmental services to the authority set in the schedule precludes divisions, with available funds and the need, from purchasing additional services like information technology. Utilizing an all monies received and continuing appropriation for administrative services is consistent with similar language found in other appropriations for a number of other state agencies. Examples in the statutes can be found in 20.143(3)(ks) and 20.255(1)(ks), for the Departments of Commerce and Public Instruction.

DIN 5501 Issue Paper: PR-S Appropriation Language Change

I. Request/Objective

The Department requests changes to the statutory language for appropriation s. 20.445(1)(kc) Administrative services (program revenue – service) to reflect all moneys received and change the appropriation type from annual to continuing, so that unspent funds can be carried forward.

II. Background

The 1991-93 Biennial Budget authorized the department to establish an Administrative Service (PR-S) appropriation to fund the administrative support operations of the department. The PR-S appropriation replaced the former methodology of the Administrative Services Division, which directly charged the other divisions' program fund sources. A fee structure process was developed and implemented on July 1, 1992.

At the time of implementation, the following goals were established:

- Fees would be set at the level necessary to generate the required revenue.
- Fees/Rates would be equitable for all divisions and fund sources.
- The number of cost pools (each requiring a separate rate structure) would be kept to the minimum necessary for equitable charging of fees.
- Fees would be set for the full budget year.

- The methods of charging costs to fund sources would be acceptable to the Federal Office of Cost Determination.

III. Analysis

The PR-S fee is the departments' means of support for information technology, finance, procurement, human resources, strategic planning, administrative support, and budgeting activities. Revenue to support these tasks is generated from the program divisions through the use of service fees based upon either full-time equivalent positions, service hours provided, or an allocated fee.

The current statutory language limits the amount that may be spent for administrative and support services to the amounts in the schedule and designates the appropriation type as annual. The Department is proposing this change in order to be more responsive to its customers.

Limiting departmental services to the authority set in the schedule precludes divisions, with available funds and the need, from purchasing additional services like information technology. The all monies received language is consistent with statutes establishing similar service appropriations for a number of other state agencies (see table below.) Furthermore, all of these appropriations are structured as continuing.

Agency	Appropriation
Department of Commerce	20.143(3)(ks)
Department of Public Instruction	20.255(1)(ks)

IV. Statutory Language

The Department is proposing to change the language to the following:

The amount credited to the appropriation is all money received by the department from department as payment for administrative and support services for programs administered by the department.

The Department is also proposing that the appropriation type for this appropriation be changed to continuing.

V. Internal and External Impact

This issue potentially affects all divisions within DWD.

FISCAL SUMMARY

		2003-04	2004-05
TOTAL COST		$0	$0
X	Ongoing	$0	$0
	One-time financing	$0	$0
Positions		0.00	0.00

DIN 5502 Narrative: External Connectivity Appropriation Language Change

The Department requests modification to the statutory language for appropriation s. 20.445(1)(kc) Administrative Services (program revenue – service) and the creation of s. 20.445(1)(gi) Computer network services charges to collect revenue from local agencies for network purposes. The revenue from 20.445(1)(gi) would be transferred to 20.445(1)(kc).

The Department provides network services (external connectivity) to non-departmental staff of counties, W-2 providers, and employers, who access departmental applications including Client Assistance for Reemployment and Economic Support (CARES) and Kids Information Data System (KIDS). To support this activity the Department currently collects revenue from these partners in appropriation s. 20.445(1)(gb) Local agreements and the difference between those revenues and costs for this service are subsidized by the divisions whose applications are accessed.

The subsidization is accomplished through transferring expenditures out of 20.445(1)(gb) to the division's supporting appropriations. Under this proposal external connectivity costs would be charged to appropriation 20.445(1)(kc) because the department has authority to charge the division(s) under this appropriation. Revenue from local agencies for this purpose would be collected in 20.445(1)(gi), instead of 20.445(1)(gb), and then transferred to 20.445(1)(kc).

DIN 5502 Issue Paper: External Connectivity Appropriation Language Change

I. Request/Objective

The Department requests modification to the statutory language for appropriation s. 20.445(1)(kc) Administrative Services (program revenue – service) and the creation of s. 20.445(1)(gi) Computer network services charges to collect revenue from local agencies for network purposes. The revenue from 20.445(1)(gi) would be transferred to 20.445(1)(kc).

II. Background

The Department provides network services (external connectivity) to non-departmental staff of counties, W-2 providers, and employers, who access departmental applications including Client Assistance for Reemployment and Economic Support (CARES) and Kids Information Data System (KIDS). To support this activity the Department currently collects revenue from these partners in appropriation s. 20.445(1)(gb) Local agreements and the difference between those revenues and costs for this service are subsidized by the divisions whose applications are accessed. The subsidization is accomplished through transferring expenditures out of 20.445(1)(gb) to the division's supporting appropriations.

III. Analysis

The Department provides network services to enable its partner's -- i.e. non-departmental staff of counties, W-2 providers, and employers -- to access a variety of applications. In order to encourage the use of these services, the Department limits the amount billed to $100 per month per circuit.

Appropriation 20.445(1)(gb) provides the authority for the Department to charge these partners this fee. The divisions, whose applications are being utilized by their partners, subsidize the remainder of the cost of providing the connectivity.

Since appropriation 20.445(1)(gb) does not have authority to accept revenue from the division, the subsidization is being handled through transferring expenditures out of that appropriation to a division's supporting appropriations. This results in expenditures for connectivity being distributed to numerous appropriations instead of being contained in a single appropriation.

The Department has authority to collect revenue from divisions through appropriation 20.445(1)(kc) Administrative services. Furthermore, the positions that support this activity already reside in that appropriation.

Instead of charging the costs for external connectivity to appropriation 20.445(1)(gb), it is proposed that these costs be charged to 20.445(1)(kc) and the revenue from the partners collected in 20.445(1)(gi) and then transferred to 20.445(1)(kc). This would clarify the accounting for this activity by treating payments by divisions for subsidization of this activity as revenue instead of as a transfer of expenditures.

IV. Statutory Language

The Department is proposing modification to the statutory language for appropriation s. 20.445(1)(kc) Administrative services and the creation of s. 20.445(1)(gi) Computer network services charges to collect revenue from local agencies for network purposes. The revenue from 20.445(1)(gi) would be transferred to 20.445(1)(kc).

V. Internal and External Impact

This issue affects the divisions of Workforce Solutions and Administrative Services within DWD.

FISCAL SUMMARY

		2003-04	2004-05
TOTAL COST		$0	$0
X	Ongoing	$0	$0
	One-time financing	$0	$0
Positions		0.00	0.00

DIN 5503 Narrative: Maintenance Contractors

The department requests 25.0 FTE, plus the transfer of $811,500 from the supplies and services line to the permanent salaries line and $311,800 from the supplies and services line to the fringe benefits line in 20.445(1)(kc) in FY04. The department further requests 25.0 FTE, plus the transfer of $1,082,000 from the supplies and services line to the permanent salaries line and $415,700 from the supplies and services line to the fringe benefits line in 20.445(1)(kc) in FY05, to fund new Information Technology (IT) positions in the Administrative Services Division, Bureau of Information Technology (BITS). Three positions will be reallocated from 20.445(2)(n), while the remaining 22 of the requested 25 positions in each fiscal year will be brand new. The transfer of funds includes funding for all 25 positions.

In response to a Legislative Audit Bureau paper entitled 'State Agency Use of Computer Consultants', ASD has studied the feasibility of replacing contractors with state employees, which results in a substantial cost savings. BITS currently employs 50+ contractors in the applications development units throughout the department. Approximately half of each contractor's time is spent performing routine maintenance/enhancements on DWD's IT systems. Maintenance can be performed by state employees or contractors, thus the requested 25 positions will be used to replace some of these contractors.

The Department currently pays for contractors from the supplies and services line; therefore a transfer of funds to the permanent salaries and fringe benefits lines is necessary to establish budget authority for the additional positions. The additional state staff will utilize existing space currently being used by contractors; therefore no funding for space costs is requested.

DIN 5503 Issue Paper: Maintenance Contractors

I. Request/Objective

The Department requests 22 new permanent positions and the reallocation of position numbers 036042, 013827 and 304645 from 20.445 (2)(n) to 20.445 (1)(kc), to replace contractors who perform routine maintenance/enhancements. These contractors are currently used in the Administrative Services Division (ASD), Bureau of Information Technology (BITS) applications development units.

II. Background

According to a March 2001 Legislative Audit Bureau (LAB) paper, titled 'State Agency Use of Computer Consultants', state agencies have dramatically increased spending upon IT contractors in lieu of requesting additional state employees. In FY98-99, executive branch agencies spent approximately $93.6 million dollars on IT consulting services. DWD spent the highest dollar amount of all executive branch agencies, at $31.3 million dollars.

The trend by state agencies toward hiring contractors, instead of state employees, is due to both the tight labor market of the late 1990s, and the rigid controls upon the total number of positions authorized. In recent years, there has been a reluctance, by the Governor and the Legislature, to increase overall state position authority.

III. Analysis

In response to audit concerns about state government's high use of contractors, ASD has studied the feasibility of taking over work currently being done by contractors who perform routine maintenance.

BITS currently employs approximately 50+ full time BITS-managed contractors in various Applications Development units. These contractors are separate from the IBM contractors used for Kids Information Data System (KIDS) and the Deloitte contractors used for Client Assistance for Reemployment and Economic Support (CARES). Half of each contractor's time is spent performing routine day to day maintenance on DWD's various IT systems.

In FY03, BITS has budgeted $3,289,000 to cover contractor costs, with the average monthly rate being $274,000 dollars. Replacing half the contractors with state staff, even senior level positions, is estimated to produce a cost saving of approximately $600,000 the first year after transition. Replacing contractors will help reduce the Department's dependency on contracted staff, produce cost savings for the Department, provide BITS staff with a sense of ownership to the systems, and improve employee morale.

In developing alternatives for this issue one must be cognizant of the recent staff reductions within the Administrative Services Division (ASD). Specifically, the 01-03 biennial budget cut 9.25 positions, transferred 5.5 positions to the Department of Health and Family Services (DHFS) for the MA Transfer, and reallocated two positions to the Worker's Compensation Division. Finally, four additional positions were given to DHFS as part of the recent Food Stamp Transfer.

These actions have reduced the feasibility of reallocating additional positions in the future. Considering the overall reduction in authority, ASD no longer has any positions to allocate for this purpose without compromising the services it provides.

IV. Statutory Language

None

V. Internal and External Impact

This issue potentially affects all divisions within DWD via the Program Revenue-Service rates associated with Appropriation 185.

FISCAL SUMMARY

		2003-04	2004-05
TOTAL COST		$0	$0
X	Ongoing	$0	$0
	One-time financing	$0	$0
Positions		25.00	25.00

DIN 5503 Cost Benefit Analysis: Maintenance Contractors

WI Information Technology Project Form

General Information

Project Name: Maintenance Contractors DIN #: 5503
Agency: *Workforce Development* *Contact Name:* *Marcie Stebbeds*
Phone: *266-5747* *Email:* *marcie.stebbeds@dwd.state.wi.us*

Provide an Executive Summary to describe the key points of the project:

In the past few years, state agencies have dramatically increased spending upon IT contractors in lieu of requesting additional state employee positions. In FY98-99, DWD spent the highest dollar amount of all executive branch agencies, at $31.3 million dollars.

There are currently 50+ contractors working in the applications development units in the Bureau of Information Technology (BITS). They maintain applications such as KIDS, CARES, Work Programs, IRIS Case Management, Rapweb Payment Processing System, Wismart, Personal Time and Attendance (PTA), Procurement Card Account Log (PAL), Rapids, and the Human Resource System.

BITS has studied the feasibility of replacing contractors with state employees. They have concluded that replacing 25 contractors will save the department approximately $500,000 annually. This cost savings will decrease the burden on divisions who pay for these contractors through the Program Revenue-Service rates. As long as DOA authorizes these positions, these annual cost savings will continue to be seen by the Department.

Why are we doing this project? (Check all that apply and briefly explain)

☒ The project supports the State business goals? This project supports the State business goal of Improving Government Cost Effectiveness and Service Delivery, by reducing the costs of services to DWD's divisions.

☒ The project will reduce the cost of performing some business function(s)? The costs (salary, fringe benefits and supplies & services) to support these individuals will be reduced by utilizing state employees.

☐ The project will increase revenue?

☒ The project will improve customer service to citizens of Wisconsin, local governments, businesses, or within State government? Hiring state employees will help to retain the institutional knowledge that is often lost when a contractor is no longer employed at DWD.

☐ This is a mandated project. Please specify the mandate and impact of non-compliance.

☐ The project is essential to citizen health, safety, privacy, or security.

☐ This project replaces at-risk technology.

☐ The project is needed to comply with enterprise or agency technology standards.

☒ This project is consistent with agency and enterprise plans and standards. If not, please explain.

Project Schedule

- Planned start date: 10/01/2003 Projected completion date: 06/30/2004

☐ Is this a component of a larger program reengineering or project currently in progress or in planning? No.

- Describe major project components or deliverables with target completion dates:
  - Three positions are to be reallocated from appropriation 251 and will be recruited for as soon as the budget is passed;
  - 22 new positions will be recruited for and hired by the end of FY04, with savings apparent to the divisions immediately;
  - Reducing the number of contractors employed by DWD by the end of FY04.

- Please explain any business or other factors which affect the planned schedule for completion?

- Biennial budget request of 22 new positions and the reallocation of three positions from appropriation 251 not being approved;
  - Inability to hire qualified staff to fill the new positions;
  - Inability to retain the newly hired staff.

- What is the estimated useful life of the system or service provided by this project?
  - The cost savings associated with hiring state employees versus contractors will continue as long as DWD is authorized the position and budget authority and is able to fill the positions.

FUNDING

Describe the proposed fund sources for the project lifecycle (developmental through operational)

Funding Sources	FY 2004 %	FY 2004 Amount	FY 2005 %	FY 2005 Amount	Est FY 2006 %	Est FY 2006 Amount	Est FY 2007 %	Est FY 2007 Amount	Totals
FTE Budget		$2,877,200		$2,992,288		$3,111,980		$3,236,459	$12,217,927
Total Base		$319,700		$332,488		$345,789		$359,621	$1,357,598
Funding Totals		$3,196,900		$3,324,776		$3,557,769		$3,696,080	$13,775,525

- Funding for these 25 positions currently resides in the BITS budget in a program revenue service appropriation, thus no increase in budget authority will be requested;
- Master lease can not be used since most funds are personnel costs;
- Increased base budget costs are calculated on an annual 4% increase for raises and DCA's;
- Increased ongoing costs are calculated on an annual 4% increase.

WI Return on Investment Model for IT Projects

As noted above, this is the first time the State of Wisconsin has required a return on investment calculation for IT investments. The goal is to ensure that the State's limited technology funds and staff are used to the greatest benefit of our citizens. Please provide the information requested as you expect the project to develop. It is recognized that several factors affect the level of accuracy in the information able to be reasonably provided. Please provide what is known, planned and estimated and explain the basis and assumptions as best possible. The Department of Electronic Government welcomes constructive comments and suggestions for future calculations.

Schedule A. ROI Adjusted Annualized Project Lifecycle Costs

In the following schedule, please enter available information:

- In column A, the total estimated costs (Business and IT) expected by line item for the duration of project development and implementation.
- In column B, the total project development time in years (or fraction thereof)
- In column C, the result by line item of dividing column A by column B
- In column D, an adjustment for the useful life of each line item. Useful life is the amount of time equipment, products, or services are used before updating or replacement. Generally, the useful life of hardware and software is four (4) years. The useful life for other project costs will vary between one (1) and four (4) years. The useful life of certain items may exceed four (4) years.
- In column E, the result by line item of dividing column C by column D
- In column F, the estimated annual average ongoing cost of operation (IT and Program Business) expected by line item

- In column G, the sum by line item of adding column E and column F The Total Adjusted Annualized Cost in column F will be carried forward to Schedule C: ROI Financial Worksheet Line VII.

Line Items	(A) Total Project Amount For Development and Implementtion	÷	(B) Project Time (Yrs or fraction thereof - Same for each row)	=	(C) Adjusted Annual Project Development And Implementation cost	÷	(D) Useful Life Adjustment	=	(E) Adjusted Annual Project Development and Implementation Cost	+	(F) Estimated Annual Ongoing cost of Operation (IT and Program)	=	(G) Adjusted Annualized Project Cost Estimate
Agency FTE Salary and benefits	$		1		$		1		$		$2,673,500		$2,673,500
Software	$		1		$		4		$		$		$
Hard-ware	$		1		$		4		$		$		$
Training	$		1		$		4		$		$		$
Facilities	$		1		$		1		$		$		$
Profess-ional Services	$		1		$		1		$		$		$
Supplies Maint, etc.	$		1		$		1		$		$		$
Totals	$		-------		$		-------		$		$2,673,500		$2,673,500

Schedule B. Tangible and/or Intangible Benefits

In the boxes below, please briefly explain assumptions of the cost and benefit estimates.

B. 1. Annual Pre-Project Cost – This section should be **completed only if state government operations costs are expected to be reduced** as a result of project implementation. Quantify to the extent possible all actual state government direct and indirect costs (personnel, support, equipment, etc.) associated with the activity, system or process prior to project implementation or if it is a new program requirement, the cost without automation.

Describe Annual Pre-Project Cost:

Response: These are salary, fringe benefits and supplies & services costs that DWD currently pays for 25 contractors.

Quantify Annual Pre-Project Cost:

	Annual Budget
FTE Cost (salary plus benefits):	$2,877,200
Support Cost (i.e. office supplies, telephone, pagers, travel, etc.):	$319,700
Other Cost (expense items other than FTEs & support costs, i.e. indirect costs if applicable, etc.):	$0
Total Annual Pre-Project Cost:	$3,196,900

B.2. Annual Post-Project Cost – This section should be completed **only if State government operations costs are expected to be reduced** as a result of project implementation. Quantify all estimated state government direct and indirect costs associated with activity, system or process after project implementation.

Describe Annual Post-Project Cost:

Response: Contractors are currently paid usin budget authority on the Supplies & Services line. Funds will be transferred to the permanent salaries and fringe benefits lines to cover these costs. No new funds will be requested.

Quantify Annual Post-Project Cost:

	Annual Budget
FTE Cost (salary plus benefits):	$2,621,000
Support Cost (i.e. office supplies, telephone, pagers, travel, etc.):	$52,500
Other Cost (expense items other than FTEs & support costs, i.e. indirect costs if applicable, etc.):	$0
Total Annual Post-Project Cost:	$2,673,500

B. 3. Annual Average Opportunity Value/Risk or Loss Avoidance Benefit – If applicable, quantify the estimated annual impact on revenue to State government such as qualifying for or losing additional matching funds, increasing revenue, penalties for non-compliance, etc.

Response:

B. 4. Annual Citizen Benefit – Please estimate annual value of the project to Wisconsin citizens, if applicable**.** This may include avoiding expenses related to conducting business with State government such as travelling to a state office, spending time waiting for processing for licenses or applications, taking time off work, mailing, or similar expenses. Please use a value of $10 per hour for citizen time savings, $.325 per mile for travel cost savings, and $.37 for postage.

Average Transaction Savings w/ samples	
<u>Travel Savings:</u> Number of trips **X** miles/trip **X** number of trips/year **X** number of citizens affected **X** $.325/mile	**= $**
<u>Time Savings:</u> Number of annual online transactions **X** hours saved/transaction **X** Number of Citizens affected **X** $10/hour	= **$**
<u>Postage Savings:</u> Number of envelopes **X** number of citizens affected **X** $.37/envelop	**= $**
<u>Other Savings * (Estimate of dollar amount):</u>	**$**
*** <u>(Please explain the basis of any other savings included above)</u>**	

Total Savings:	$

B. 5. Qualitative Benefits – Please identify the overall qualitative benefits (i.e., IT innovation, unique system application, use of new technology, improving the quality of life, improving satisfaction with government, meeting a strategic goal, etc.).

Response:

Schedule C: ROI Financial Worksheet

I. Total Annual Pre-Project Cost **(From B1):**	$3,196,900
II. Total Annual Post-Project Cost **(From B2):**	$2,673,500
III. Annual Government Savings (=I-II)	$523,400
IV. Annual Opportunity Value or Risk/Loss Avoidance Benefit (From B3):	$0
V. Annual Citizen Benefit (From B4):	$0
VI. Total Annual Project Benefit (=III+IV+V)	$523,400
VII. Annual Adjusted Cost (From Schedule A):	$2,673,500
Benefit / Cost Ratio: (VI / VII) =	19.58%
☐ **Benefits Not Readily Quantifiable** (From B5)	

<u>What are the project risks and how will they be mitigated?</u>

Several factors contribute to project risk, especially for new projects. Common risks are identified below. Please check all that apply to this project.

<u>Infrastructure</u> *There is the risk of contractors leaving before the new employees are hired and thoroughly trained, therefore the transfer of knowledge between the contractors and the new employees is extremely important for a smooth transition.*

☐ New Development / Major Reengineering (Higher risk)
☒ Upgrade / Maintenance (Lower risk)

Application ***(Check one)*** Not applicable

☐ New Development / Major Reengineering (Higher risk)
☐ Maintenance / Minor Enhancements (Lower risk)

Business Complexity **- *Does this project require major changes to business processes?***

☐ Yes ☒ No If yes, please briefly explain.

High Profile Project - Is this a project of interest to the legislature, other political entities, or advocacy groups? Does it involve participants such as citizens, federal or local government, business? ***Not applicable***

☐ Yes ☐ No If yes, please explain.

Technical Complexity - Projects are considered technically complex if they involve multiple platforms, many interfaces, and new technologies. Please rate technical complexity. ***Not applicable***

☐ High Complexity ☐ Average Complexity ☐ Low Complexity

VI. Platforms/OS/Key Interfaces
Briefly specify the platforms/operating systems and key interfaces to other systems required for this project and describe your agency's level of experience with the technology. ***Not applicable***

VII. Enterprise Architecture
Is this project dependent on any enterprise architecture or infrastructure development or does it impact any? If yes, please explain: ***Not applicable***

VIII. Other Risks
Please explain any other risks or dependencies? ***Not applicable***

IX. Risk Mitigation
Please explain how the risks with the project are mitigated? **Not applicable**

Potential for Increasing Enterprise Value

- Are there other agencies that perform the same business function? Have opportunities for collaboration been identified and/or discussed with these agencies? ***No to both.***
- Any other comments about the potential benefit of this project to the enterprise? This project will produce a cost savings for the department and reduce our dependency on contract staff. Reducing dependency on contractors is in line with the DOA directive to consider replacing contractors with state staff when it is cost effective to do so.

DIN 5505 Narrative: Reduce Reliance on Contractors for KIDS Support

The Department requests $766,000 PR-S and 15.00 FTE in FY04 and $1,976,100 and 31.00 FTE in FY05 in 20.445 (1)(kc) to fund new Information Technology (IT) positions in the Administrative Services Division, Bureau of Information Technology (BITS). These positions will replace the IBM contractors that work on the Kids Information Data Systems (KIDS) in the Bureau of Child Support.

After substantial budget cuts and annual IBM rate increases, the Bureau of Child Support has insufficient funds to maintain a level of IBM staffing that existed in past years. One way to reduce costs is to replace contractors with state staff. This transition will occur over two years and is in line with the DOA directive to consider replacing contractors with state staff when it is cost effective to do so.

The Department currently pays for rent associated with space for the IBM contractors. The additional state staff will utilize the existing space; therefore no funding for space costs is requested.

DIN 5505 Issue Paper: Reduce Reliance on Contractors for KIDS Support

I. Request/Objective

The Department requests 15 FTE in FY04 and 31 FTE in FY05, plus associated funding to support these positions in 20.445 (1)(kc), to replace the IBM contractors that work on the Kids Information Data System (KIDS) in the Bureau of Child Support (BCS). The new positions will reside in the Administrative Services Division, Bureau of Information Technology (BITS). Supporting the KIDS system with BITS staff is in line with the DOA directive to replace contractors with state staff when it is cost effective to do so.

II. Background

KIDS is a statewide-automated child support system implemented in 1996. IBM Global is the contractor that originally designed and programmed the KIDS system. The Department awarded IBM a four-year contract, for the period of April 1, 2001 through March 31, 2005, for the continued operation of KIDS.

That contract calls for a two-level rate structure, which currently includes $227,500 in fixed monthly charges, plus $92 per hour per contractor for production support and system changes. These rates increase annually over the period of the contract.

After substantial budget cuts in the FY01-03 biennial budget, BCS has insufficient funds to maintain the level of contractor staffing that existed at the beginning of FY02. Prior to adjusting for the impact of the Budget Reform Bill, BCS expects to purchase the services of 52 FTEs in FY03 (11 state programmers and 1 state manager in BITS, 9 BITS-managed contractors and 31

IBM contractors). However, once the BCS share of the DWD General Purpose Revenue cuts made by the budget reform bill is determined, the combined resource level may be further reduced.

Even without knowing the impact of the Budget Reform Bill reductions on the child support program, the 52 FTEs currently planned for FY03 are substantially lower than in prior years. In FY02, 66 FTEs (45 IBM and 21 BITS) supported KIDS, while in FY01, 80 FTEs (66 IBM and 14 BITS) supported KIDS. The decreased level of support means projects are delayed, fixes take longer, and investments in run-time improvements that reduce operational costs are delayed or reduced.

III. Analysis

The Department has been considering replacing IBM for some time. Such a transition will take approximately two years and could be completed by the end of the current contract with IBM, which is March 31, 2005. This conversion would reduce the Department's dependency on contracted staff and produce a net cost savings that can be applied to the continuation of BCS services.

Maintaining the status quo would mean continuing reliance upon outside contractors and reduced services since constrained budgets would decrease hours purchased for production support and system changes. The Department also considered a transition that would have utilized 31 IBM contractors throughout the transition from IBM to Department in-house support. Although this approach would provide greater assurance of avoiding problems with KIDS until the transition is complete, it was not considered feasible due to the current budget situation.

The Department is recommending a phased in transition, which would reduce the current level of IBM contractors as additional departmental staff comes on board. This approach allows BCS to fund this transition from within its base budget. Additional expenditure authority will be needed in the administrative service appropriation to charge BCS back for this support.

The table below summarizes the new BITS and BITS-managed contractor positions throughout the transition.

BITS Resources During Transition

Staffing Levels	State Developers	BITS-Managed Contractors	State Managers	Total
FY03 Current	11	9	1	21
FY04	25	12	2	39
FY05	41	17	2	60
FY06	41	17	2	60
Total New by FY06	**30**	**8**	**1**	**39**

Bringing the KIDS support in house offers several benefits:

- Replacing IBM contractors with state staff, even senior level positions will save the Department approximately $1,000,000 the first year of transition;
- The current KIDS budget will remain constant throughout the transition;
- Simplifies the management of KIDS automation planning and budgeting;
- When the transition to BITS is complete, there will be 60 BITS staff working on the KIDS system, compared to 52 BITS and IBM staff that are currently working on KIDS;
- Will reduce the coordination of managing two groups of contractors for KIDS development, to a single group
- Promotes more consistency in formal IT development and operations procedures;
- Eliminates the costs associated with developing an RFP and negotiating contracts every four to six years, and
- Resolves the uncertainties of future costs associated with a contractor.

The contract with IBM states that the Department may terminate the contract prior to March 31, 2005 with a 90-day written notice when it is in the best interest of the state to do so. The contract also states in the event the amount of available funding is reduced, terminated or shall not be continued, the Department shall notify IBM and be entitled to reduce its commitment as it deems necessary.

IV. Statutory Language

None

V. Internal and External Impact

Since the requested positions will be funded in appropriation 185 (Program Revenue-Service), this issue potentially affects all divisions within the Department through the charge back process for administrative services. As long as the transition is completed smoothly, no child support customers will be impacted.

FISCAL SUMMARY

		2003-04	2004-05
TOTAL COST		$766,000	$1,976,100
X	Ongoing	$668,500	$1,872,100
	One-time financing	$97,500	$104,000
Positions		15.00	31.00

DIN 5505 Cost Benefit Analysis: Reduce Reliance on Contractors for KIDS Support

WI Information Technology Project Form

General Information

Project Name: Reduce Reliance on Contractors for KIDS Support DIN #: 5505
Agency: Workforce Development *Contact Name: Marcie Stebbeds*
Phone: 266-5747 *Email: marcie.stebbeds@dwd.state.wi.us*

Provide an Executive Summary to describe the key points of the project:
KIDS is a statewide-automated child support system implemented in 1996. IBM Global is the contractor that originally designed and programmed the KIDS system. In an RFP for the continued operation of KIDS, DWD awarded IBM a new four-year contract for the period of April 1, 2001 through March 31, 2005.

That contract calls for a two-level rate structure, which currently includes $227,500 in fixed monthly charges, plus $92 per hour per contractor for production support and system changes. These rates increase annually over the period of the contract.

After substantial budget cuts in the FY01-03 biennial budget, the Bureau of Child Support (BCS) has insufficient funds to maintain the level of IBM staffing that existed in the past. Administrative Services Division (ASD) and BCS have been considering replacing IBM with state staff for some time. Such a transition will take approximately 1-2 years and could be completed by the end of the current contract with IBM. Bringing the KIDS support in house offers several benefits including: reducing the Department's dependency on contracted staff, and producing a savings of $1,000,000 the first year of transition, that can be applied to the continuation of services at a level closer to what is needed.

Why are we doing this project? (Check all that apply and briefly explain)

☒ The project supports the State business goals? This project supports the State business goal of Improving Government Cost Effectiveness and Service Delivery, by reducing the costs of services to DWD's divisions.

☒ The project will reduce the cost of performing some business function(s)? The costs (salary, fringe benefits and supplies & services) to support these individuals will be reduced by utilizing state employees.

☐ The project will increase revenue?

☒ The project will improve customer service to citizens of Wisconsin, local governments, busi nesses, or within State government? Hiring state employees will help to retain the institutional knowledge that is often lost when a contractor is no longer employed at DWD.

☐ This is a mandated project. Please specify the mandate and impact of non-compliance.

☐ The project is essential to citizen health, safety, privacy, or security.

☐ This project replaces at-risk technology.

☐ The project is needed to comply with enterprise or agency technology standards.

☒ This project is consistent with agency and enterprise plans and standards. If not, please explain.

Project Schedule

- Planned start date: 11/1/2003 Projected completion date: 3/31/2005

☐ Is this a component of a larger program reengineering or project currently in progress or in planning? No.

- Describe major project components or deliverables with target completion dates:
  - 15 positions being recruited for and filled throughout FY04;
  - 16 positions being recruited for and filled throughout FY05, by the time the IBM contract expires on 3/31/05;
  - Reducing the number of contractors employed by DWD in the next two fiscal years.

- Please explain any business or other factors which affect the planned schedule for completion?
  - Biennial budget request of 31 new positions not being approved;
  - IBM staff leaving prior to vacant positions being filled;
  - Inability to hire qualified staff to fill the new positions;
  - Inability to retain the newly hired staff.

- What is the estimated useful life of the system or service provided by this project?
  - The cost savings associated with hiring state employees versus contractors will continue as long as DWD is authorized the position and budget authority and is able to fill the positions.

FUNDING

Describe the proposed fund sources for the project lifecycle (developmental through operational)

Funding Sources	FY 2004 %	Amount	FY 2005 %	Amount	Est FY 2006 %	Amount	Totals
IBM Budget		$5,170,533		$2,651,186		$0	$7,821,719
BITS Budget		$3,562,837		$6,082,184		$7,700,660	$17,345,681
Funding Totals		$8,733,370		$8,733,370		$7,700,660	$25,167,400

- The specified costs include everything required to run the KIDS system (personnel, supplies & services, etc.);
- Currently, KIDS is funded by appropriations 334 (PR), 335 (SEG), 337 (SEG) and 357 (PR-F);
- New funding for the 31 positions is being requested in appropriation 185 (PR-S);
- Master lease can not be used since most funds are personnel costs.

WI Return on Investment Model for IT Projects

As noted above, this is the first time the State of Wisconsin has required a return on investment calculation for IT investments. The goal is to ensure that the State's limited technology funds and staff are used to the greatest benefit of our citizens. Please provide the information requested as you expect the project to develop. It is recognized that several factors affect the level of accuracy in the information able to be reasonably provided. Please provide what is known, planned and estimated and explain the basis and assumptions as best possible. The Department of Electronic Government welcomes constructive comments and suggestions for future calculations.

Schedule A. ROI Adjusted Annualized Project Lifecycle Costs

In the following schedule, please enter available information:

- In column A, the total estimated costs (Business and IT) expected by line item for the duration of project development and implementation
- In column B, the total project development time in years (or fraction thereof)
- In column C, the result by line item of dividing column A by column B
- In column D, an adjustment for the useful life of each line item. Useful life is the amount of time equipment, products, or services are used before updating or replacement. Generally, the useful life of hardware and software is four (4) years. The useful life for other project costs will vary between one (1) and four (4) years. The useful life of certain items may exceed four (4) years.
- In column E, the result by line item of dividing column C by column D
- In column F, the estimated annual average ongoing cost of operation (IT and Program Business) expected by line item

- In column G, the sum by line item of adding column E and column F The Total Adjusted Annualized Cost in column F will be carried forward to Schedule C: ROI Financial Worksheet Line VII.

Line Items	(A) Total Project Amount For Development and Implementtion	÷	(B) Project Time (Yrs or fraction thereof - Same for each row)	=	(C) Adjusted Annual Project Development And Implementation cost	÷	(D) Useful Life Adjustment	=	(E) Adjusted Annual Project Development and Implementation Cost	+	(F) Estimated Annual Ongoing cost of Operation (IT and Program)	=	(G) Adjusted Annualized Project Cost Estimate
Agency FTE Salary and benefits	$		1		$		1		$		$7,700,660		$7,700,660
Software	$		1		$		4		$		$		$
Hardware	$		1		$		4		$		$		$
Training	$		1		$		4		$		$		$
Facilities	$		1		$		1		$		$		$
Professional Services	$		1		$		1		$		$		$
Supplies, Maint, etc.	$		1		$		1		$		$		$
Totals	$		-------		$		-------		$		$7,700,660		$7,700,660

Schedule B. Tangible and/or Intangible Benefits

In the boxes below, please briefly explain assumptions of the cost and benefit estimates.

B. 1. Annual Pre-Project Cost – This section should be **completed only if state government operations costs are expected to be reduced** as a result of project implementation. Quantify to the extent possible all actual state government direct and indirect costs (personnel, support, equipment, etc.) associated with the activity, system or process prior to project implementation or if it is a new program requirement, the cost without automation.

Describe Annual Pre-Project Cost:

Response: These are the projected salary, fringe benefits and supplies & services costs to support BITS and IBM staff in FY03.

Quantify Annual Pre-Project Cost:

	Annual Budget
FTE Cost (salary plus benefits):	$7,860,033
Support Cost (i.e. office supplies, telephone, pagers, travel, etc.):	$873,337
Other Cost (expense items other than FTEs & support costs, i.e. indirect costs if applicable, etc.):	$
Total Annual Pre-Project Cost:	$8,733,370

B.2. Annual Post-Project Cost – This section should be completed **only if State government operations costs are expected to be reduced** as a result of project implementation. Quantify all estimated state government direct and indirect costs associated with activity, system or process after project implementation.

Describe Annual Post-Project Cost:

Response: These are the projected salary, fringe benefit and supplies & services costs to support BITS staff in FY06. This will be the first full fiscal year after transition, when the cost savings will be seen.

Quantify Annual Post-Project Cost:

	Annual Budget
FTE Cost (salary plus benefits):	$6,930,594
Support Cost (i.e. office supplies, telephone, pagers, travel, etc.):	$770,066
Other Cost (expense items other than FTEs & support costs, i.e. indirect costs if applicable, etc.):	$
Total Annual Post-Project Cost:	$7,700,660

B. 3. Annual Average Opportunity Value/Risk or Loss Avoidance Benefit – If applicable, quantify the estimated annual impact on revenue to State government such as qualifying for or losing additional matching funds, increasing revenue, penalties for non-compliance, etc.

Response:

B. 4. Annual Citizen Benefit – Please estimate annual value of the project to Wisconsin citizens, if applicable**.** This may include avoiding expenses related to conducting business with State government such as travelling to a state office, spending time waiting for processing for licenses or applications, taking time off work, mailing, or similar expenses. Please use a value of $10 per hour for citizen time savings, $.325 per mile for travel cost savings, and $.37 for postage.

Average Transaction Savings w/ samples	
Travel Savings: Number of trips **X** miles/trip **X** number of trips/year **X** Number of citizens affected **X** $.325/mile	= $
Time Savings: Number of annual online transactions **X** hours saved/transaction **X** Number of Citizens affected **X** $10/hour	= $
Postage Savings: Number of envelopes **X** number of citizens affected **X** $.37/envelop	= $
Other Savings * (Estimate of dollar amount):	$
* **(Please explain the basis of any other savings included above)**	

Total Savings:	**$**

B. 5. Qualitative Benefits – Please identify the overall qualitative benefits (i.e., IT innovation, unique system application, use of new technology, improving the quality of life, improving satisfaction with government, meeting a strategic goal, etc.).

Response:

Schedule C: ROI Financial Worksheet

I. Total Annual Pre-Project Cost **(From B1):**	$8,733,370
II. Total Annual Post-Project Cost **(From B2):**	$7,700,660
III. Annual Government Savings (=I-II)	$1,032,710
IV. Annual Opportunity Value or Risk/Loss Avoidance Benefit (From B3):	$0
V. Annual Citizen Benefit (From B4):	$0
VI. Total Annual Project Benefit (=III+IV+V)	$1,032,710
VII. Annual Adjusted Cost (From Schedule A):	$7,700,660
Benefit / Cost Ratio: (VI / VII) =	13.41%
☐ **Benefits Not Readily Quantifiable** (From B5)	

What are the project risks and how will they be mitigated?

Several factors contribute to project risk, especially for new projects. Common risks are identified below. Please check all that apply to this project.

***Infrastructure* (Check one)**

☐ New Development / Major Reengineering (Higher risk)
☒ Upgrade / Maintenance
There is the risk of contractors leaving before the new employees are hired and thoroughly trained, therefore the transfer of knowledge between the contractors and the new employees is extremely important for a smooth transition.

***Application* (Check one)** *Not Applicable*

☐ New Development / Major Reengineering (Higher risk)
☐ Maintenance / Minor Enhancements (Lower risk)

***Business Complexity* - Does this project require major changes to business processes?**

☐ Yes ☒ No If yes, please briefly explain.

High Profile Project - Is this a project of interest to the legislature, other political entities, or advocacy groups? Does it involve participants such as citizens, federal or local government, business?

☒ Yes ☐ No
This is an extremely high profile project since it is the Child Support system for the entire State of Wisconsin. Almost a billion dollars in child support is processed through this system each year. If the system is not running correctly, it could result in delayed child support payments to receipients.

Technical Complexity - Projects are considered technically complex if they involve multiple platforms, many interfaces, and new technologies. Please rate technical complexity.

☒ High Complexity ☐ Average Complexity ☐ Low Complexity

X. Platforms/OS/Key Interfaces
Briefly specify the platforms/operating systems and key interfaces to other systems required for this project and describe your agency's level of experience with the technology.

The KIDS system runs on an MVS Mainframe computer, using MVS Cobol, CICS telecommunications and a DB2 database. The system utilizes a client/server and Web environment using Microsoft Transaction Server, Active Server Pages, and Visual Basic, and also has VB.net web service component.

KIDS interfaces with the following agencies and/or systems: Center for Health Statistics, Dept of Natural Resources, Dept of Transportation, Dept of Corrections, Dept of Regulation and Licensing, Dept of Commerce, DWD UI Benefits, DWD UI Wage, Workers Compensation, Federal Parent Locator Services, Human Services Reporting System (HSRS), Social Security Administration, CARES, New Hire, Centralized Receipt and Disbursement Unit, Federal Case Registry, State Tax Intercept, Federal Tax Intercept, and Unemployment Insurance Intercept.

The agency's level of experience with the technology is very in depth and advanced in knowing the detailed technology concepts of Cobol, DB2, CICS, and web development, in addition to an in depth knowledge of project management and the system development life cycle for successful project implementation.

XI. Enterprise Architecture

Is this project dependent on any enterprise architecture or infrastructure development or does it impact any?

The KIDS system utilizes software and hardware supported by DEG InfoTech Services in addition to the client/server and Web software supported by DWD.

XII. Other Risks

Please explain any other risks or dependencies?

- IBM feeling threatened by the termination of the contract and leaving prior to hiring and thoroughly training new staff;
- DWD being unable to hire and retain qualified staff.

XIII. Risk Mitigation

Please explain how the risks with the project are mitigated?

- Prior to pursuing this request, DWD verified the termination of the IBM contract would not result in negative consequences;
- DWD has informed IBM of the possibility of terminating the contract early, so as not to create an uncomfortable working environment.

Potential for Increasing Enterprise Value

- Are there other agencies that perform the same business function? Have opportunities for collaboration been identified and/or discussed with these agencies? No to both.

- Any other comments about the potential benefit of this project to the enterprise?

This project will produce a substantial cost savings for the department and Wisconsin as a whole. Due to the complexity of this system, it would be cost effective to bring the support in house versus using an outsourced contractor.

LABOR and INDUSTRY REVIEW COMMISSION:

DIN 6101 Narrative: Supplies and Services in Federal Moneys

The department requests $6,400 in FY04 and $7,600 in FY05 for the supplies and services line in Federal Moneys (Appropriation 241) for the Labor and Industry Review Commission. The request to increase funding will cover basic expenditures in the supplies and services line. There are sufficient federal funds available from the annual Equal Employment Opportunity Commission (EEOC) contract.

WISCONSIN CONSERVATION CORPS:

DIN 5801 Narrative: Ranger Cadet Extension

The Wisconsin Conservation Corps requests that Corps Enrollees who have completed one year of service with the Corps be allowed to participate in a second year of employment as enrollees in the Ranger Cadet program. The Ranger Cadet program is a joint venture between WCC and the Department of Natural Resources.

Currently Corps Enrollees are limited to 12 months of service with the Corps, unless the corps member has a disability or under special circumstances where continued employment is required in order to complete a project in progress. WCC requests that the statutes be modified to allow Corps Enrollees to complete a second year of employment with the Corps as a member of the Ranger Cadet program.

GOVERNOR'S WORK BASED LEARNING BOARD:

See Din 6206 in Department Wide Section below.

DEPARTMENT WIDE DECISION ITEMS:

DIN 6203 Narrative: DWS Appropriation Re-structuring

The Department requests changes in the agency's appropriation structure to reflect the current organizational structure of the Division of Workforce Solutions (DWS), its programs, and their operation. The proposed changes (see issue paper) clarify the purposes of appropriations and provide administrative efficiencies by consolidating appropriations, eliminating obsolete and unnecessary appropriations, and making various technical modifications.

DIN 6203 Issue Paper: DWS Appropriation Re-structuring

I. Request/Objective

The Department requests changes in the agency's appropriation structure to reflect the current organizational structure of the Division of Workforce Solutions (DWS), its programs, and their operation. The recommendations described in this paper will clarify the purposes of appropriations and provide administrative efficiencies by consolidating appropriations, eliminating obsolete and unnecessary appropriations, and making various technical modifications.

Considerable simplification and clarification of DWD's appropriation structure will be achieved just by a judicious but dramatic reduction in the number of appropriations. This would be accomplished by:

1) Deleting unused and redundant appropriations; and

2) Consolidating appropriations that no longer provide useful distinctions (for example, separate appropriations funded by the same revenues but differentiated only by whether expenditures are aids or local assistance, or by whether federal funding is assumed to be ongoing).

Eighteen separate appropriations would be repealed in their entirety (chapter 20 alphas) and an additional eight currently unused numerics would be deleted from the State's financial systems.

In addition to the clarification resulting from reducing the number of appropriations, this request would further clarify DWD's appropriation structure by:

1) Establishing separate appropriations to reflect in the chapter 20 schedule federal funding received by the divisions of Equal Rights (ERD) and Worker's Compensation (WC), and differentiating use of two existing appropriations currently used by multiple divisions so that one is unique to the division of Unemployment Insurance (UI) and the other unique to the Division of Workforce Solutions (DWS);

2) Realigning and re-titling some appropriations so that the chapter 20 schedule will more clearly reflect the programs the appropriations are used for; and

3) Updating obsolete references and creating greater conformity between appropriation language, program statutes, and fiscal procedures.

The changes requested, when combined with the realignment of position authority (proposed in a separate DIN), will enable the division and the department to effectively manage the resources in this relatively large and increasingly complex enterprise.

II. Background

The program structure of DWD's appropriations currently includes the "Workforce Development" program (100-series appropriations) and the "Economic Support" program (300-series appropriations). The workforce development program includes UI, WC, ERD, the Administrative Services Division (ASD), and the Executive Offices.

In addition, the "Workforce Development" program includes a number of programs administered by DWS. These include Migrant Services and a variety of programs generally authorized under chapter 106 of state law—Apprenticeship Standards, Job Ride, Wisconsin Service Corps—and/or funded by the US Department of Labor (DOL)—Job Service, Veterans Job Training, Assistance for Dislocated Workers, Trade Adjustment Assistance/North American Free Trade Agreement Assistance, National Emergency Assistance, and Local Labor Market Information.

DWS also administers all programs budgeted in the economic support program of the appropriation structure. These programs generally receive federal funding from the US Department of Health and Human Services (DHHS), or in the case of the Food Stamp Employment and Training Program (FSET), indirectly from the US Department of Agriculture, through the Wisconsin Department of Health and Family Services (DHFS). Other DWS programs within the economic support program are Wisconsin Works (W2), Wisconsin Shares and other Child Care assistance, Child Support, and Refugee Assistance.

DWD's appropriation structure has not been significantly modified since the formation of the agency. DWS was created by the merger of the former Divisions of Workforce Excellence and Economic Support within DWD, but no significant changes were made in the 2001-03 biennial budget to reflect this. Even more importantly:

1) No significant changes were made to program 1 appropriations to reflect the end of the federal Job Training Partnership Act (JPTA) and its replacement with several inter-related programs under the Workforce Investment Act (WIA) umbrella.

2) No significant changes were made to program 3 to reflect the transfer of the Income Maintenance Programs (Medical Assistance and Food Stamps) to DHFS under provisions of 2001 Wisconsin Act 16.

3) DWS appropriations need significant "clean-up"; over the years many have been created that have never been used, and others were created for one-time purposes that have ended.

III. Analysis

Consolidating and updating the existing appropriation structure will achieve important benefits for the department. Given the complexity of accomplishing these changes, DWD has not proposed moving all of DWS to a single program at this time. Doing so would have required renumbering about half the appropriations affected by this decision item, as well as others that would otherwise be unaffected, adding additional complexity at a time that DWD is migrating its financial systems to the State's Wismart accounting system. In addition, implementation of the changes in this decision item may be assisted by providing continuity in familiar program areas and appropriations.

Among the most significant components of this decision item are: 1) The consolidation of federal-funds appropriations for DOL programs; 2) Clearly identifying—separately in chapter 20—the appropriations for federal funds for UI, ER, and WC, as well as DWS, and identifying separately in chapter 20 the appropriations for federal Refugee and Child Support funds; and 3) Consolidating DWD GPR appropriations for the maintenance-of-effort (MOE) requirement in the Temporary Assistance for Needy Families (TANF) program in a single continuing appropriation.

Only the first two are discussed below because they involve issues that do not relate solely to the appropriation language (management of position authority and relationship of existing numerics to chapter 20 alphas). Specific details of all proposed changes affecting chapter 20 appropriation definitions, and the rationale for those language changes, are provided in a separate paper.

DOL appropriations:

Currently DWS budgets for DOL funds within five appropriations that are relatively generic and reflect some redundancies of purpose:
- S.20.445 (1) (m), "*Federal funds,"* (141);
- S.20.445 (1) (ma), "*Federal aid—program administration*," (145);
- S.20.445 (1) (mb), "*Federal aid—employment and training local assistance,*" (142);
- S.20.445 (1) (mc), "*Federal aid—employment and training aids,*" (152); and
- S.20.445 (1) (n), "*Unemployment administration; federal moneys,*" (151).

This appropriation structure frequently makes it difficult to determine which appropriation should be used for which federal programs. In reality, it can generally be argued that more than one is equally appropriate for the same federal funding source. Both DWS and UI share appropriation 151, due to the broad authority within it to fund DWD's "efforts to regularize employment." The appropriation is used for both aids and state operations purposes, currently including most of DWD's federal position authority.

In addition, while the Department of Administration (DOA) can create and abolish federal positions, consolidating the position authority from these appropriations will simplify its management. Currently, DWS has federal positions supported by DOL funds in appropriations 141 and 145 as well as 151. If these positions are assigned to work on different programs than originally anticipated, one of three things must occur: Workers must "cross-charge" to appropriations different from where they are budgeted, the budget authority must be moved to the appropriation in which the positions exist, or a request must be made to DOA to create positions in the appropriation in which the budget for them exists. Any of these alternatives makes the implementation of operating budgets and effective resource management impossible. Consolidating the DOL-funded position authority will make changes in the utilization of these positions a simple matter of charging to another project in the same appropriation, while remaining consistent with chapter 20 authority.

Because of the close relationship of some DOL programs, and pressures not to create more positions than necessary, this type of reallocation is increasingly likely. DWD proposes to use the existing appropriation 141, as it is currently defined, as the consolidated appropriation for its DOL funds. It is defined as an appropriation for federal funds not appropriated elsewhere to DWD. Since new, separate appropriations are proposed for federal funding received by WC and the ERD, this definition will work well for the otherwise difficult-to-define and somewhat overlapping DOL programs (the same individual sometimes qualifies for assistance under more than one of these programs).

DWD proposes to give appropriation 141 a new title consistent with the future direction of DWS, "*Workforce Investment and Assistance*." DWS will no longer use appropriation 151, separating it from UI. This, along with creation of separate federal-funds appropriations for WC and the ERD, will improve each division's accountability for its own resources. At the same time, in the event of a desire to "move" these federal positions between divisions, it could still be accomplished by DOA action to abolish them in one appropriation and re-create them in another.

Appropriations 142, 145, and 152 would be repealed. This will simplify budgeting for DOL funds administered by DWS, and reduce errors in budget implementation, by eliminating all ambiguities about which appropriation is the "best fit": There will be only one (141).

Child Support and Refugee Appropriations:

Currently DWD's federal-funds in program 3 are differentiated according to whether they are block-grant programs, ongoing "program" funds, or limited-term "project" funds, and whether the funding is used for state operations, aids, or local assistance. The appropriation under .20.445 (3) (n) is used for, "*Federal program operations*." Three separate numerics exist within it: 344 (which was used for the IM programs and can now be deleted), 348 (Refugee Assistance), and 357 (Child Support). As a result, none of these programs is visible in the chapter 20 schedule, and the chapter 20 estimate for the appropriation reflects the sum of unrelated programs.

The transfer of the IM programs to DHFS completed in 2001-03 has created the opportunity to more clearly differentiate the appropriations for federal funds used for Child Support operations and Refugee Assistance along more relevant lines. Since the appropriation under s.20.445 (3) (na), *Federal program aids*, is currently used only for aids to refugees (numeric 346), moving the funding used to administer the Refugee Assistance program in numeric 348 to the same appropriation and retiling it "*Refugee assistance; federal funds*" will establish a unique, chapter-20-visible appropriation for that program. Within the Refugee Assistance program, the distinction between operations and aids purposes is not significant enough to require separate chapter 20 alphas, and can be adequately maintained by continuing to use the existing separate numerics.

At the same time, moving the Refugee Operations numeric (348) to s.20.445 (3) (na) and deleting numeric 344 will leave only numeric 357, federal funds for state child support operations, within s.20.445 (3) (n), establishing a separate, chapter 20-visible appropriation for this significant federal fund source as well. DWD proposes to re-title it to reflect that intent. A different appropriation, s.20.445 (3) (nL) will continue to be used for federal Child Support funding for counties, and retitled to more clearly identify that purpose.

Overview of other changes:

- Separate GPR appropriations for Job Access Loans (303) and Emergency Assistance (375) would be consolidated with appropriation 315 as a continuing appropriation, to improve budgeting and management of TANF MOE.

- Three inter/intra-agency appropriations (367,368, 369) would be consolidated into one (367) which would also be modified to receive any funds budgeted for TANF MOE in other agencies, if not expended in required time frames.

- The appropriation for TANF and Child Care block grant funds used for aids—s.20.445 (3) (md) (347, 391)—would be made a continuing appropriation, while the appropriation used funds used to administer those programs—s.20.445 (3) (mc) (345/390)—would be retained as an annual appropriation with an extended period of availability to coincide with the federal fiscal year. Four unused numerics within s.20.445 (3) (md) would be deleted.

- Two unused child-support appropriations (135 and 332) would be repealed and their purposes consolidated with other existing appropriations.

- Three appropriations for expenditure of grants for "specific, limited-term projects" other than block-grant funds (340,341, 342) would be consolidated into one (341).

- The titles of the following appropriations would be changed, and technical changes to their definitions made to delete obsolete provisions and better reflect statutory cross references and current uses of the appropriations:

S.20.445 (3) (a) (301) would be changed from, "*General program operations*," to "*Economic support operations*" (numeric 309, related to Food Stamps, will be deleted);

S.20.445 (3) (cr) (310) would be changed from, "State supplement to employment opportunity demonstration projects," to "Jobs and business development program; matching funds";

S.20.445 (3) (L) (338) would be changed from, "Welfare Fraud and Error Reduction Activities and Food Stamp Sanctions," to "Public Assistance overpayment recovery, fraud and error reduction";

S.20.445 (3) (nL) (349, 350, 351, 355) would be changed from, "*Federal program local assistance*," to "*Child support local assistance; federal funds*," and numeric 355 (formerly Food Stamps) will be deleted.

- The following additional obsolete and unused appropriations would be repealed:

126—Job Ride, oil overcharge funds
128—Trade Masters Pilot, Indian gaming receipts (funds only in 02)
143—Job Ride, federal funds (federal funds reflected in DOT budget)
318—Child Support Order Conversion Assistance (funds only in 02)
358—FSET Aids
359—FSET Admin (DWD reimbursed by DHFS for FSET via 367)
360—Income Augmentation Receipts (DWD does not administer these).

IV. Statutory Language

See separate paper describing statutory language changes

V. Internal and External Impact

This decision item has no cost or position impact but is appropriate for inclusion in the biennial budget because it affects the appropriation structure. It will align the appropriation structure with the current organization structure, and more clearly reflect the programs administered by the division and the department. It will also provide administrative efficiencies in fiscal management and budget decision making. Implementation will achieve greater clarity in the DWD budget, reduce budget and fiscal paperwork associated with accounting for unnecessary appropriations, and reduce activity associated with aligning positions funded from federal DOL funds with appropriations in which a particular DOL program is budgeted.

The appropriation restructuring under this decision item, when combined with the position alignment proposed under a separate DIN, will provide the framework required to effectively manage these programs.

FISCAL SUMMARY

		2003-04	2004-05
TOTAL COST		$0	$0
X	Ongoing	$0	$0
	One-time financing	$0	$0
Positions		0.00	0.00

DIN 6204 Narrative: Position Number Transfer

The department requests to transfer 1.0 FTE in FY04 and 1.0 FTE in FY05 from 20.445 (1)(n) to 20.445 (1)(kc). The Office of the Chief Information Officer was created to manage the Department's IT investments and to provide a governing structure that oversees IT projects. The position authority for this position currently resides in federally funded appropriation 151; however is budgeted and charged to Program Revenue-Service appropriation 185. The Administrative Services Division proposes to transfer the position authority to appropriation 185.

This transfer will not increase the total position authority for the department, and there will be no transfer of funding. This will organizationally place the position in the division where work is completed.

DIN 6205 Narrative: Transfer of 4.0 FTE from Unemployment Insurance, Federal Moneys

The Department requests a decrease of 4.0 FTE in FY04 and FY05 in Unemployment Insurance, Federal Moneys (Appropriation 251) for the Labor and Industry Review Commission (LIRC). These positions were vacated by attrition and not refilled because the commission is able to handle its current unemployment insurance caseload adequately as a result of improvements in technology and office functions.

1.0 FTE will be transferred to Unemployment Insurance, Federal Moneys (Appropriation 151) and will assist the Bureau of Legal Affairs in the Division of Unemployment Insurance (DUI) with its increased workload related to benefit appeals cases. The Department is studying how the remaining 3.0 FTE can be best used to save state resources and will have a final determination prior to the Department of Administration's November 20th report section 16.43 of the state statutes.

The Department also requests a decrease of $52,800 in FY04 and FY05 in the supplies and services line in Appropriation 251 corresponding to the 4.0 FTE reduction. For the 1.0 FTE transferred to DUI, the Department is requesting an increase of $13,200 in supplies and services in Appropriation 151.

DIN 6206 Narrative: Re-organization of GWBLB into DWD

The department requests that the Governor's Work-Based Learning Board (GWBLB) be transferred within the Department of Workforce Development (DWD). The GWBLB would exist as part of DWD within its Workforce Solutions division. GWBLB is currently attached to DWD for administrative purposes.

The 1999-01 state biennial budget created the Work-Based Learning Board to administer and coordinate Wisconsin's School-to-Work system, including Youth Apprenticeship, Tech-Prep, and other work-based learning programs. The GWBLB consists of staff members transferred from DWD's division of Connecting Education and Work (CEW) which shared a mission similar to that of the GWBLB.

GWBLB would reside within the Division of Workforce Solutions, as both entities participate in apprenticeship programs, with DWS administering the State's adult apprenticeship program. Also, DWS maintains partnerships with several of the business and industry consortiums that GWBLB works in conjunction with. A total of $6,148,000 and 16.75 FTE would be transferred from GWBLB into DWD.

DWD requests creation of appropriation s.20.445 (1)(b), Local Youth Apprenticeship Grants, as an annual appropriation, and request expenditure authority of $2,203,000 GPR in SFY 04 and $2,203,000 GPR in SFY 05. Current authority for the GWBLB under s.20.445 (7)(b) would be eliminated as a result of this request.

DWD requests creation of appropriation s.20.445 (1)(ef), School-to-Work Programs for Children at Risk, as an annual appropriation, and request expenditure authority of $285,000 GPR in SFY 04 and $285,000 GPR in SFY 05. Current authority for the GWBLB under s.20.445 (7)(ef) would be eliminated as a result of this request.

DWD requests creation of appropriation s.20.445 (1)(em), Youth Apprenticeship Training Grants, as an annual appropriation, and request expenditure authority of $0 GPR in SFY 04 and $0 GPR in SFY 05. Current authority for the GWBLB under s.20.445 (7)(em) would be eliminated as a result of this request.

DWD requests creation of appropriation s.20.445 (1)(kb), Funds Transferred from the Technical College System Board, as a continuing appropriation, and request expenditure authority of $2,289,200 PR-S in SFY 04 and $2,289,200 PR-S in SFY 05. Current authority for the GWBLB under s.20.445 (7)(kb) would be eliminated as a result of this request.

DWD requests creation of appropriation s.20.445 (1)(kd), Transfer of Indian Gaming Receipts; Work-Based Learning Programs, as an annual appropriation, and request expenditure authority of $600,000 PR in SFY 04 and $600,000 PR in SFY 05. Current authority for the GWBLB under s.20.445 (7)(kd) would be eliminated as a result of this request.

DWD requests deletion of appropriation s.20.445 (7)(m), Federal Funds, a continuing appropriation, and request that authority of $318,300 PR-F and 5.45 FTE in SFY 04 and $318,300 PR-F and 5.45 FTE in SFY 05 be transferred to s.20.445 (1)(m).

DWD requests deletion of appropriation s.20.445 (7)(kx), Interagency and Intra-agency Programs, a continuing appropriation, and request that authority of $111,700 PR-S and 2.20 FTE in SFY 04 and $111,700 PR-S and 2.20 FTE in SFY 05 be transferred to s.20.445 (1)(ka).

DWD requests deletion of appropriation s.20.445 (7)(ga), Auxiliary Services, a continuing appropriation, and request that authority of $18,000 PR in SFY 04 and $18,000 PR in SFY 05 be transferred to s.20.445 (1)(ga).

DWD requests deletion of appropriation s.20.445 (7)(a), General Program Operations, an annual appropriation, and request that authority of $659,300 GPR and 5.70 FTE in SFY 04 and $659,300 PR-F and 5.70 FTE in SFY 05 be transferred to s.20.445 (1)(a).

DIN 6206 Issue Paper: Re-organization of GWBLB into DWD

I. Request/Objective

DWD requests the re-organization of GWBLB into DWD. GWBLB is currently attached to DWD for administrative purposes only. DWD requests that both spending authority and staffing levels be transferred within DWD's Division of Workforce Solutions.

II. Background

The Governor's Work-Based Learning Board is attached to the Department of Workforce Development for administrative purposes. GWBLB was created in the 1999-2001 biennial budget and has 17 Board members. The Lt. Governor is currently the Board Chairperson.

GWBLB has 16.75 authorized FTE, of which 5.75 are vacant, including the Executive Director position. In SFY 03 GWBLB has a total funding level of $6,148,000. GWBLB previously administered the federal School-to-Work grants, which totaled $28,732,000 between 1994 and 2001. Annual funding for these grants ended on September 30, 2001.

The GWBLB currently administers four programs:

- Youth Apprenticeship A one or two-year program for high school youth that combines academic, occupational, and on-the-job training. Funding source: GPR
- School-to-Work for At Risk Youth A dropout prevention program in Milwaukee that provides academic support and occupational preparation for students at risk of not completing high school. Funding source: GPR
- Work-Based Learning Work-based learning programs at Lac Courtes Oreilles Ojibway Community College and the College of the Menominee Nation, that provide job training and work-based learning experiences for high school and college age youth, and upgrading skills of incumbent workers. Funding source: Tribal gaming funds

- Title II of the federal Carl Perkins Vocational and Applied Technology Act, Tech Prep
  Tech Prep funds represent approximately 8-10% of the total Carl Perkins dollars allocated to Wisconsin annually by the federal Department of Education. Title I and III funds are administered by the WTCSB and DPI. The Title II funds are locally administered by the 16 technical college districts through local tech prep consortia. The primary purpose of Tech Prep is to provide technical preparation to youth in areas leading to an associate degree in a Wisconsin technical college and/or a baccalaureate degree in the UW System, or another post-secondary certificate such as registered apprenticeship, by sequencing courses and programs from high school to the post-secondary level. Funding source: Federal

III. Analysis

It is critical that Wisconsin strengthen its human capital resources to remain competitive in the global marketplace. As part of the state's overall economic growth plan, DWD recognizes the importance of investing in the knowledge and skills of the secondary school age population to prepare them to enter the workforce. Wisconsin's high school graduates need to be prepared to make the transition from school to work or post-secondary education in career areas vital to the state's economic health. It is important that these young people remain in Wisconsin after high school and post-secondary education to pursue high-skill, high-paying jobs.

Youth Apprenticeship The re-organization of GWBLB programs into DWD will allow DWD to expand its focus on workforce development for youth through improved coordination of programs that provide young people with career knowledge and job skills. Wisconsin has been a national leader in the development of a statewide youth apprenticeship system based on state and national industry skill standards. This program has helped "raise the bar" of work-based learning programs throughout the state by establishing high standards for skill training, creating partnerships with business and industry, and educating school and employers on child labor laws. Students who complete youth apprenticeship have high job placement rates and/or retention rates in post-secondary education. Overall, this initiative has expanded the number of quality work experience programs in the high schools, resulting in improved career planning and occupational skills of high school graduates.

The youth apprenticeship program needs to be sustained and expanded as an important component of Wisconsin's overall workforce development plan. By transferring the program back into DWD, it can be more closely linked with other youth programs in the Department under the Workforce Investment Act and W2, in order to maximize job preparation opportunities for all young people. The program can also be linked more closely, where appropriate, with the registered apprenticeship program and increase the number of youth apprentices who are aware of and enroll in that program after high school.

Title II Carl Perkins Technical Preparation Traditionally, technical education and workforce development programs in Wisconsin have not been closely linked. In order to effectively prepare young people for the high skill jobs of the future, coordination between technical education programs and workforce development programs needs to be improved. Since the Tech Prep program integrates technical preparation for students with work-based learning activities, as well as opportunities for teachers and counselors to work with local businesses, maintaining the Title II Tech Prep programs within DWD allows the Department to collaborate with WTCSB and DPI, as well as the local tech prep consortiums, to focus the program in occupational areas that meet the needs of Wisconsin business and industry.

One of the priorities for the Tech Prep program under GWBLB has been the expansion of the "2+2+2" programs, which link two years of technical education and work-based learning (such as youth apprenticeship), two years of technical college, and two years of university education. DWD will continue to emphasize this priority, as well as the other federally required elements of tech prep, and encourage linkages where appropriate with the registered apprenticeship program, as part of the 2+2+2 model. Allocation of funds to the 16 tech prep consortiums will be continued, in order to build upon existing local business and education partnerships.

Since GWBLB has administered the tech prep program, stronger linkages with work-based learning programs, including youth apprenticeship, have been achieved throughout the state, resulting in more students receiving advanced standing and/or transcripted credit at technical colleges, and an increasing number of high school graduates attending Wisconsin technical colleges.

The <u>School-to-Work for At Risk Youth</u> This program, currently contracted to the Private Industry Council in conjunction with Milwaukee Public Schools, will be incorporated into DWD's workforce development plan for school age youth. <u>Work Based Learning for Tribal Colleges</u> These grants will continue to focus on improving occupational preparation and skill upgrading at the two colleges.

IV. Statutory Language

This re-organization would require that GWBLB's current appropriation structure be modified to reflect its inclusion within DWD.

V. Internal and External Impact

The reorganization will have an internal impact on GWBLB and DWD staff in terms of physical location and staff organization. There will be increased coordination and collaboration between programs currently in GWBLB and within the Department, including programs under the Workforce Investment Act and the registered apprenticeship program. Since grants to local youth apprenticeship consortiums, tech prep consortia, the Milwaukee Private Industry Council, and the tribal colleges will be continued, there should be minimal impact on local partnerships in terms of funding and grant administration.

FISCAL SUMMARY

		2003-04	2004-05
TOTAL COST		$0	$0
X	Ongoing	$0	$0
	One-time financing	$0	$0
Positions		0.00	0.00

DIN 6207 Narrative: Deletion of Adjudication of Claims Program

The Department requests deletion of s. 20.445(4)(a) Administration of Mining damage claims and s. 20.445(4)(b) Funding for mining damage claims. During the 1995 – 1997 biennial budget a number of departments were reorganized, including the then Department of Industry, Labor, and Human Relations. The Department of Workforce Development was created as part of that reorganization, during which the program for the adjudication of mining claims was transferred to the Department of Commerce. Since the program was transferred the department no longer needs the associated appropriations.